Austria	Sch24	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Pso40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Es165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR8.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FMk8.50	Lebanon	L£900.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta185
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr230	Morocco	MDh8.00	Switz	SFr2.50
Hungary	Ft167	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

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Shevardnadze resigns in protest at union's 'move to dictatorship'

By Quentin Peel and Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, last night denied that the Soviet Union was heading towards a military coup or a dictatorship, after the dramatic resignation of his foreign minister, Mr Eduard Shevardnadze.

His angry response came after Mr Shevardnadze, the man seen as the architect of Soviet foreign policy since the advent of perestroika and one of Mr Gorbachev's closest confidants, announced his decision to quit in an emotional address to the Congress of People's Deputies.

"Dictatorship is advancing, and I declare this with full responsibility," the foreign minister told a stunned Soviet assembly. "No-one knows what kind of dictatorship it will be, or who will take over."

"I am resigning. Do not react and do not curse me. Let it be my personal contribution, my protest against the offensive of dictatorship."

Mr Gorbachev last night appeared to take his warning as a direct personal challenge, insisting that the speech came as a complete surprise, just as he is struggling to win support for sweeping new presidential powers at the Congress.

"To go now is unforgiveable", he said. "We are not talking about a dictatorship but strong rule, and the two must not be confused. But if we act irresponsibly, and we do not listen to the signals from society, there may come a time when society will look for an exit through any option."

The resignation caused consternation at the Soviet Congress, summoned to discuss the rapid collapse of the Soviet economy, the growing political and social tension in society, and Mr Gorbachev's request for new powers to deal with it.

The Congress also has to approve the draft of a new Union Treaty as the basis for negotiations with the 15 union republics, demanding drastic devolution of central powers.

Mr Shevardnaze's announcement provoked concern in western capitals and cast a pall over European stock markets, which feared fresh political turmoil in the Soviet Union and a reduced chance of a peaceful settlement in the Middle East.

In Frankfurt, shares closed 3.3 per cent down, while Amsterdam, Paris and Milan recorded falls of between 1 and 3 per cent.

In London the FT-SE 100 index lost 19.9 to 2,158.8. Wall Street recovered from early falls, however, and at mid-session the Dow Jones Industrial Average was up 10 at 2,636.

The dollar gained strength as dealers bought the US currency as a hedge against rising world tension, while the D-Mark declined.

Mr Gorbachev's top priority last night was to limit the immediate international damage caused by his trusted lieutenant's departure, sending out a message through his spokesman that the resignation would mean no change at all in Soviet foreign policy.

At the Foreign Ministry, Mr Vitaly Churkin, Mr Shevardnadze's spokesman, said the minister's decision was irrevocable, but that he had spent many sleepless nights before reaching it.

On Soviet policy on the Gulf, Mr Churkin said: "The policy towards the Gulf is one of the most important ones. We are convinced this policy responds to the interests of our people. We of course hope this main bearing will not be changed. The guarantee of this is that this policy is associated first of all with the name of our president."

Mr Shevardnadze took the floor at the congress to defend his foreign policies at the demand of conservative deputies who have attacked his support for the western allies in the Gulf.

Rejecting the criticism, and insisting that the Soviet Union would defend its citizens wherever they were threatened, he then rounded on his critics as front men for a reactionary plot against perestroika.

"Who stands behind these comrades?" he demanded. "Why is it that nobody refuted them, nobody said there were
Continued on Page 18

Eduard Shevardnadze announcing his resignation yesterday

US expects no change in Soviet policies on Gulf, west

By Lionel Barber in Washington

THE US yesterday expressed regret over the abrupt resignation of Mr Eduard Shevardnadze but said it did not expect a shift in Soviet foreign policy away from co-operation with the west and on the Gulf crisis.

The superpower summit set for mid-February in Moscow between US President George Bush and Soviet President Mikhail Gorbachev was still on track and there was still hope of signing a strategic arms agreement, the White House said.

However, Mr James Baker, US secretary of state, who developed an extraordinary rapport with Mr Shevardnadze over the past 18 months, said the Soviet foreign minister's warning about the threat of dictatorship had to be taken seriously.

Visibly jolted by Mr Shevardnadze's departure, Mr Baker said: "I'm proud to call this man a friend. I'm going to miss him."

The Bush administration was not forewarned of the resignation. However, in recent weeks, senior US officials have registered with growing alarm the emergence of an anti-reformist alliance of the KGB, Red Army and other conservative elements of the Communist party.

Mr Baker acknowledged he was concerned about a possible crackdown by hardliners, but added: "We must appreciate the desire to employ measured force to protect citizens against inter-ethnic violence, armed militias versus force to suppress or stifle peaceful dissent or peaceful expression of opinion."

Throughout, Mr Baker was keen to avoid the impression that his close relationship with Mr Shevardnadze would preclude the chance of a successful rapport with a successor such as Mr Yegveny Primakov, Mr Gorbachev's special envoy in the Gulf crisis. "Our policy towards the Soviet Union does not rest on personalities," he said.

Senior European figures expressed regret that he had quit, with Mr Douglas Hurd, the British Foreign Secretary, saying he was "very sad" on personal and political grounds.

German Chancellor Helmut Kohl stressed the importance of not letting Mr Gorbachev's reforms fail, adding: "They are good for the Soviet Union and they are good for the relation
Continued on Page 18

World News

UN vote raps Israel over treatment of Palestinians

The US yesterday supported a UN Security Council resolution condemning Israel's deportation of Palestinians and agreed to a statement calling for a *Middle East* peace conference to help resolve the Arab-Israeli dispute.

Israel is certain to be dismayed by Washington's refusal to block the two UN moves. Since the Gulf crisis began, the US has gradually shifted away from its traditional unflinching support for Israel. Gulf reports, Page 4

Taiwan rail crash

Some 42 people were killed and 14 injured when a train hit a packed bus on a level crossing near Kaohsiung, southern Taiwan.

Turkish strike threat

About 1.5m Turkish workers plan to defy the country's legal ban on general strikes and stay home on January 3. They are pressing for big pay rises to offset Turkey's 61 per cent inflation.

Walesa request

Polish President-elect Lech Walesa asked Tadeusz Mazowiecki's caretaker cabinet to stay until spring elections. Mr Walesa has so far failed to find a candidate to form a new government.

Poll winners banned

Burma's military rulers outlawed the democracy party, which won overwhelmingly in general elections in May.

Asil Nadir bailed

Polly Peck International chairman Asil Nadir was released from prison after finally lodging £2m ($3.9m) cash with his solicitors to meet bail requirements. He also had to provide £1.5m in sureties. Page 8

Kenyan clampdown

Kenya, facing a severe foreign exchange shortage, banned all foreign trips by government officials for six months.

Spanish bombing

A car bomb injured 11 people, including a woman who lost both legs, in a blast that ripped through the centre of Valencia in southeast Spain.

Swedish verdict

A Stockholm court convicted three police chiefs but acquitted three others on charges of illegal eavesdropping on Kurds during investigations into the 1986 murder of Olof Palme, Sweden's prime minister.

Racketeering claim

Five top Chicago power brokers were indicted on charges including racketeering, bribery, conspiracy, extortion and tax fraud. At least two of the five are alleged to have Mafia connections. Page 6

Karyn Smith jailed

Karyn Smith, the 19-year-old British teenager who admitted charges of trafficking heroin out *of Thailand*, was sentenced to 25 years imprisonment by a Bangkok court.

Apartheid hope

Business Day, the South African newspaper, reported that President F.W. de Klerk's government will announce plans to repeal important apartheid laws when parliament reopens in February.

Israel strikes deal

Israel will limit prosecution of a senior air force officer at the centre of a corruption scandal "in order to try to exhaust the investigation and reveal the truth". Page 4

Listen to your father

Yoshihiko Kato has won Japan's 10th annual shouting contest by hollering at 115.8 decibels, 15 per cent louder than the racket created by a speeding train. He credited his victory to regularly admonishing his three children.

Business Summary

Chicago bank drops prime lending rate to 9.5%

THE US Federal Reserve's efforts to push down interest rates bore fruit when a big Chicago bank, First National Bank of Chicago, announced a half point cut in its prime lending rate to 9.5 per cent, as the Commerce Department released a gloomy survey of investment intentions and weak consumption figures for November. Page 18

NEWS Corporation, Adelaide-based international media concern controlled by Mr Rupert Murdoch, shares fell by 20 per cent on the Australian Stock Exchange to a five-year low of A$4.35 ($3.34) from the previous day's close of A$5.44. Page 19; Lex, Page 18

PRUDENTIAL, largest insurance company in North America, revealed that its Prudential-Bache securities subsidiary would lose some $250m this year and that it would be pumping more than $200m of new equity into the firm. Page 19

ECC has been allowed by US Justice Department to take over the lion's share of Georgia Kaolin, US china clays producer that it had agreed to buy from Asea Brown Boveri (ABB) for $520m. Page 19

CHRISTIANIA, Norway's second biggest bank, forecast record losses on loans and guarantees for 1990 of NKr2.68bn ($461m). Page 20; Lex, Page 18

ASIA-PACIFIC countries have seen their regional growth averaging a healthy 5.4 per cent this year according to the Economic and Social Commission for Asia and the Pacific. Page 4

DUNLOP FRANCE, tyre company owned by Sumitomo Rubber of Japan, is expected to be given the go-ahead by the French government to buy Tréca, France's last remaining independent maker of beds. Page 20

JAPAN's dispute with the US over airline rights has intensified with Tokyo hinting that permission could be delayed for take-off slots for US carriers because the US has failed to approve extra flights for Japanese companies. Page 3

AMERICAN Telephone & Telegraph is expected to tie up deals early next year to sell off between 20 and 40 per cent of its Unix computer operating system group to computer companies worldwide. Page 23

FINLAND is likely to lift restrictions on companies importing energy after Finnish-Soviet clearing trade comes officially to an end in June 1991. Page 3

NEDLLOYD, Dutch transport and energy company, confirmed that it may make a private placement of convertible preferred shares. Page 20

TOKYO TATEMONO, Japanese property and real estate concern, launched two targeted yen deals into the international bond market, raising a total of Y30bn ($225.5m). Page 24

REVLON Group, big US cosmetics and health care company had its debt ratings reduced by Moody's Investors Service, reflecting the company's reduced financial flexibility. Page 23

LEVITT Group: Police and Serious Fraud Office are to question senior managers at four of the big institutional investors in the UK financial services group which has gone into liquidation. Page 8

PERU and the IMF agreed on broad guidelines for economic reforms, clearing the way for new loans. Page 6

GIST-BROCADES, Dutch biotechnology company, agreed to sell its pharmaceuticals division to Yamanouchi Pharmaceuticals of Japan for an undisclosed price. Page 20

West 'should hold back on financial aid'

By Stephen Fidler, Euromarkets Correspondent, in London

THE west should not provide large-scale financial support for the Soviet Union until it has embarked on a fundamental reform of its economy, according to the world's leading financial institutions.

A report to be published today by leading western financial institutions, including the International Monetary Fund and World Bank, concludes that in the near term, three types of western aid for the Soviet Union would be justified: food aid, technical assistance for economic reform and limited project aid, for example, to the energy industry.

The report, presented to US President George Bush yesterday, says that large loans from the west to support the country's balance of payments should await deep economic reform.

Before then, such loans would have "little or no lasting value", says the report, which falls short of describing such aid as a waste of money.

An earlier draft of the 51-page main report has been circulating in Moscow, excluding a critical chapter relating to western aid.

The final draft of the report, commissioned by the July economic summit of the Group of Seven industrialised countries in Houston, was completed at the weekend.

It calculates that hard currency aid pledged to the Soviet Union next year totals $16.9bn.

Credits and grants have been promised by the US, the European Community, Saudi Arabia and others. However, it must pay about $11bn next year to foreign creditors in repayments of principal and to clear arrears on its debt, and also meet a sizeable interest bill. Other estimates suggest Soviet foreign debt is around $56bn.

The report concludes that, despite its economic problems, the Soviet current account is likely to be in balance next year.

However, the forecast is subject to a large margin of error. It depends on the oil price not diverging significantly from the assumed $26 a barrel; on the Soviets being able to sustain oil export volumes; and on its east European trading partners being able to meet significant portions of their trade debts in hard currency.

The report favours what one official described as a "modified big bang" for reforming the Soviet economy, rather than a gradual approach.

It emphasises the importance of rapid price reform, which it sees as crucial to resolving many immediate economic problems: hoarding, the shift to trading in dollars and the growth of barter, all of which arise because of the unwillingness to hold roubles. The report concludes tighter administrative controls would not work.

The authors of the report – officials from the World Bank, IMF, Organisation for Economic Co-operation and Development and the European Bank for Reconstruction and Development – do not believe the report takes what would be seen as an orthodox IMF approach.

Despite its emphasis on restructuring prices, the report concedes such reform would be rough and ready with the continued existence of state monopolies and in the absence of market institutions.

It also concludes that some price rises should be cushioned, for example basic food and consumer goods, energy prices, urban transport and housing.

OECD says world economy will avoid recession next year

By Peter Norman, Economics Correspondent

THE world economy will avoid a recession next year largely because of continued robust growth in Japan and Germany.

The latest half-yearly Economic Outlook from the Organisation for Economic Co-operation and Development depicts the weak – mainly English speaking – economies skirting recession in 1991 while Japan and Germany grow at above-average rates.

The government-owned Paris-based think tank said the short-term outlook for its 24 industrialised member states had changed largely for the worse in recent months as higher oil prices had curbed activity and boosted inflation. But it believes that the worst effects of the oil price rise will be over by the middle of next year, provided governments act to contain inflation and private sector confidence is maintained.

Mr David Henderson, the head of OECD's economics and statistics department, said yesterday that the published outlook of 2 per cent growth for the entire OECD area next year after 2.8 per cent this year already appeared too favourable in the light of recent gloomy news about the US economy.

In the Outlook, the OECD expects the US economy to grow at a sluggish 0.6 per cent annual rate in the first half of next year before quickening to a growth rate of between 1.8 and 1.9 per cent over the following 18 months.

But while the OECD now believes US growth will be "significantly weaker" than forecast in the 12 months to mid-1991, Mr David Potter, director of the country studies branch of the OECD, said Germany and Japan "put a floor under" the OECD economy.

The OECD expects Japan to grow at 3.7 per cent next year, which is low compared with the 6.1 per cent growth rate estimated for 1990, but high by international standards. Germany is expected to register strong growth at a 3.9 per cent annual rate for the next half year before slowing to a 2.6 per cent annual growth rate in 1992.

Activity in both Britain and Canada is expected to decline in the present half year and be sluggish in the first half of next year. Although the OECD expects some recovery in the UK from mid-1991, it will be slowest growing of all the Group of Seven leading industrial economies next year and joint bottom of the G-7 growth league with the US in 1992.

The OECD's relatively sombre Outlook is fraught with risk.

- Events in the Gulf could deteriorate, pushing up the price of oil.
- The US and other weak economies could be slow recovering, particularly if inflation is stubborn.
- German unification and the shift of eastern Europe to the market economy could be harbour greater difficulties than expected.

The OECD said the world economy would suffer if inflation remains high and fragile financial markets in important countries could weigh heavily on business confidence.
Details, Page 6

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China's hard-liners reform the meaning of reform

The signs are that China's Communist hard-liners, such as Premier Li Peng, pictured *left*, are consolidating their positions ahead of next week's crucial Central Committee meeting in Peking
Page 4

SHEVARDNADZE'S RESIGNATION

US dismayed by loss of warm and trustworthy friend

MR Eduard Shevardnadze's departure is a source of deep concern and regret within the Bush administration, but none can be more dismayed than Mr James Baker, US Secretary of State.

Over the past 18 months, Mr Baker, usually a model of icy self-control, has developed an extraordinary personal rapport with Mr Shevardnadze, as warm and trustworthy a relationship as he enjoys with any Nato foreign minister.

Only last week, the two men were pictured outside the White House, all smiles as they announced a near complete agreement on the reduction of strategic nuclear weapons and a cease-fire in the Angolan civil war, a mid-February date for the next superpower summit, and continuing co-operation during the Gulf crisis. These achievements, which offered predictability and stability in US-Soviet relations, now hang in the balance.

Yet in recent weeks senior US officials, Mr Baker included, have become markedly more pessimistic about the prospects for perestroika. In what now looks like a prophetic speech in late October, Mr Baker warned of "the darker side of the Soviet revolution" leading to intolerance, economic hardship and decay as the Stalinist monolith collapsed.

Since then, warning signals have been flashing from several quarters: a disintegration of central authority in Moscow; signs of anti-western backlash within the Soviet policy-making apparatus (the latest being apparently deliberate Soviet under-reporting of weapons required to be destroyed under the conventional force agreement in Europe); and the emergence of a hard-line conservative alliance embracing the KGB, Army and even elements of the Russian Orthodox Church, all rallying around the slogan of saving the Union.

One senior US official said in an interview just 48 hours before Mr Shevardnazde's resignation: "There is an increasingly sharp polarisation in Soviet society, the economy is in a state of collapse and it is becoming harder and harder for Gorbachev to occupy the middle ground."

The implication is that Mr Gorbachev and/or a conservative successor will be driven to order a crackdown both against the reformers and the various republics striving for independence from Moscow.

It was this fear which caused Mr Baker to deliver a stern warning to Mr Shevardnadze two weeks ago during their talks in Houston, which were supposed to prepare for the February 11 summit in Moscow between President Bush and President Gorbachev.

The Secretary of State told the Soviet foreign minister that a crackdown on legitimate political dissent would force Washington to respond, even if it meant jeopardising the improvement in US-Soviet relations. He also raised concern about the control of the numerous nuclear weapons in the Soviet republics.

Senior US officials are loath to speculate on how precisely the administration would react to a crackdown, not least because they believe Communist Party hardliners will seek to avoid a clear-cut provocation such as the imposition of martial law, say, in the Baltics. But the menu of US options is clear: ranging from the suspension of the recent aid package to Moscow, to the halting of the strategic arms talks and the cancellation of the proposed Moscow summit.

Yet the sobering truth for the Bush administration – which has invested so much political capital in Mr Gorbachev – is that its leverage over Moscow remains limited and there is uncertainty about where the Soviet president now stands on reform.

This month's emergency Soviet aid package partially lifted the Jackson Vanik trade restrictions and provided credits for food, supplies of medicine and technical advice, as well as a new, limited relationship with the World Bank and International Monetary Fund.

A senior US official agreed that the package was partly aimed at "getting Gorbachev through the winter". At the same time, however, the offer of "special associate status" with the World Bank and IMF which would evolve as the Soviets dismantled the Stalinist command economy was a deliberate carrot to reformers and to Mr Gorbachev: stick with it, and your dream of integration into the community of nations (and the world economy) can still be realised.

The problem, says one senior Soviet policy-maker, is that economic reform has stalled for at least two months – subsumed by the all-embracing debate about how to preserve the Union. Yet the consequences of further delay in economic reform are daunting.

The resignation of Mr Shevardnadze sends the worst possible signal to Washington about which way the Soviet Union intends to go. "It was always going to be a long shot," said one senior administration official this week, "now it looks longer."

Lionel Barber

Soviet Union stunned by resignation

IF THERE'S one thing they did not expect at this week's landmark congress, it was for Mr Eduard Shevardnadze, the one Soviet leader untainted by domestic troubles, to resign saying he feared a dictatorship.

But the reaction in Moscow after the initial shock yesterday was a mixture of anger and regret among reformers, surprise and confusion from the man on the street, and ill-disguised glee among those Mr Shevardnadze blamed for his resignation.

Mr Nikolai Medvedev, a deputy from Lithuania, which fears a military coup to crush its fight for independence, said Mr Shevardnadze's move was a "conscious sacrifice" to show the country was "being nudged towards a dictatorship like a rabbit into the python's jaws".

General Mikhail Surkov, a commander of Soviet forces in Armenia, denied that the military wanted a dictatorship, and expressed indignation at Mr Shevardnadze's move. "How can you declare yourself the president's friend and leave him at this moment," asked the general, a staunch Gorbachev supporter.

Nordic countries expressed support for Estonia, Latvia and Lithuania, at the opening of a Baltic information office in Copenhagen yesterday, writes Hilary Barnes in Copenhagen.

The office, financed by Denmark, is the first official joint Baltic office to be opened abroad.

Radical democrats embraced Mr Shevardnadze as a recruit for the cause who had finally gone public about a danger they had long warned of. "He is the only member of this government who supports democracy in the country," said Mr Arkady Murashev, a leader of the democratic Inter-Regional Movement.

Mrs Shelly Barim, a worker at the Lenin Library, sighed as she passed the Kremlin on her way home and said: "It's bad that there is a reason for him to resign, it's bad that there are forces in the country to do this. He probably thinks he can't fight them."

The only deputies to gloat openly over Mr Shevardnadze's departure were the two colonels he singled out as front men for reactionary forces.

"Yes, I am a reactionary if this is democracy... I am in favour of the foreign minister's resignation," said Col Viktor Alknis. Col Nikolai Petrushenko, said that a previous congress declaration condemning the secret Ribbentrop-Molotov pact of 1939 had led the country towards collapse. Both belong to the conservative communist bloc Soyuz, whose stated aim is to stop the Soviet Union's break-up.

On a sombre afternoon inside the Kremlin walls, Mr Roy Medvedev, the historian, was the only speaker to bring some light relief to yesterday's debate when he commented on how easily Mr Shevardnadze had resigned.

"Of all our leaders... Shevardnadze has received the least criticism. If others had reacted so easily with resignations Ryzhkov would have hung himself. Yeltsin should have shot himself, then I can't even think what death Gorbachev would have thought up for himself."

Leyla Boulton

Happier days: Shevardnadze displays his catch during a fishing trip at the Baikal Lake with US secretary of state James Baker

Georgian with a solid reputation

FEW foreign ministers have presided over such revolutionary changes in their country's foreign policy as Mr Eduard Shevardnadze.

Moscow was still perceived as the heart of President Reagan's "empire of evil" when the then 57-year-old Georgian party boss became Mr Mikhail Gorbachev's surprise choice to succeed old "Grim Grom" Gromyko in July 1985.

Six years later, the silver-haired and soft-spoken Mr Shevardnadze enjoys a reputation as a key player in the resolution of international conflicts and a trusted partner in arms control and other negotiations unthinkable while the now buried "cold war" froze east and west into mutually suspicious blocs.

Mr Gorbachev gained public kudos for the smiling new international face of Soviet diplomacy and the sort of innovative thinking about a "common European home." But much of the credit for translating these vague new concepts into practical achievements – like the destruction of the Berlin Wall and the peaceful end of the division of Europe – goes to Mr Shevardnadze, now 62, and the kind of relationship he forged with key players like US secretary of state James Baker.

Mr Shevardnadze is a problem solver who learned the finer arts of diplomacy as party and KGB boss in Georgia - dealing with the Georgian mafia whom he accused of having turned his native land from a place of saints and scholars to a land of rogues and robbers.

The way in which he rooted corruption out of the ruling party and introduced Hungarian-style economic and farm reforms attracted attention in Moscow, but made him deeply unpopular among Georgians who accused him of being Moscow's man.

Ironically, among the many jailed by Mr Shevardnadze as he purged the party in the 1970s was a man called Zviad Gamsakhurdia. He is now president of the republic, elected on a mandate of taking Georgia out of the Union.

The anti-Soviet emotions which are tearing at the unity of the Soviet state are powerful here largely because of the way security forces armed with sharpened shovels and other weapons tore into a crowd of nationalist demonstrators in the capital Tbilisi in April 1989. Mr Shevardnadze, who later disclosed that only Mr Gorbachev's personal intervention had stopped him resigning in protest, went back to try and cool passions. He told his compatriots: "We have learned how to talk to other nations. Now we must learn to talk to each other."

It was a remark closely in line with his general philosophy. In a reply to readers' letters in Pravda earlier this year, he wrote: "The policy of using military power to underpin diplomacy always drove states to bankruptcy or catastrophe." While Mr Shevardnadze's foreign prestige has never been higher, the Soviet Union's interlinked domestic political and economic crises have undermined his capacity to deliver - driving him to the exasperation which he publicly vented yesterday.

Anthony Robinson

West misses Moscow's 'co-operative face'

THE resignation of Mr Eduard Shevardnadze, the Soviet foreign minister, and one of Mr Mikhail Gorbachev's closest colleagues, has understandably caused consternation in the West.

More than anyone in the Soviet leadership except, perhaps, the president himself, Mr Shevardnadze has personified the more liberal, democratic and co-operative face of Moscow.

Mr Shevardnadze has always been a popular figure with western statesmen, who found him both receptive to new ideas and willing to go to great lengths to reach compromises on international problems which had long seemed intractable.

His style was dignified and unsophisticated at the same time. When Sir Geoffrey Howe, the former British foreign secretary, visited Moscow, he took great pleasure in being invited for dinner to "the Shevardnadzes' flat", instead of to the more pretentious official banqueting halls.

The breathtaking achievements to which Mr Shevardnadze made a major contribution are easily forgotten as the world's attention focuses on the political and economic chaos now threatening the Soviet Union.

Thanks to a series of arms control agreements, including the 1986 accord abolishing ground-based intermediate-range nuclear missiles and last month's historic Conventional Forces in Europe (CFE) pact, the whole military and political situation has been transformed in Europe.

As a result, the Warsaw Pact has virtually disappeared, Soviet troops will have vacated eastern Europe entirely within the next few years and the communist systems of eastern Europe are being transformed into something more approaching the democratic systems and market economies of the West.

Heading the list of foreign policy successes in which Mr Shevardnadze played an outstanding role are undoubtedly the agreements leading to the unification of Germany.

Now that unification has taken place, it takes some effort of the imagination to remember the enormous psychological obstacles which the Russians had to overcome before they could accept not only the unification of a people who had caused them so much misery and suffering during the Second World War, but the entry of East Germany into Nato.

Mr Shevardnadze clearly had a difficult time during the so-called "2 plus 4" talks on this subject, but it is to his great credit that, in the last resort, he was able to persuade Mr Gorbachev to make the necessary painful compromises.

Those compromises, welcome as they were in the West, were severely criticised by conservative and right-wing elements in the Soviet Union, as was the basically pro-western and anti-Saddam Hussein policy which Moscow has adopted towards the Gulf crisis.

In his resignation speech, Mr Shevardnadze made it clear that he had been deeply stung by the criticisms of the conservative Soyuz group, which has accused him of planning to commit Soviet forces to the anti-Iraq coalition, in spite of his frequent public denials of any such intention.

Although the Soviet foreign ministry was quick to come out with a statement saying that Mr Shevardnadze's departure would not entail any change in Soviet policy towards the Gulf, this has done little to dampen fears in Washington and other western capitals that Moscow is likely to become a less reliable partner from now on.

A Pandora's box of uncertainties has been opened by the resignation.

It was largely the close and unprecedented partnership forged by the US and the Soviet Union in the Security Council of the United Nations that has been responsible for the comprehensive isolation of Iraq.

If that particular alliance were to be dissolved, Mr Saddam Hussein would be able to achieve what he has so far completely failed to do: exploit the differences between Washington and Moscow to his own advantage.

Equally alarming is the possibility that the Soviet Union, under a more conservative leadership, might delay the ratification of the "2 plus 4" agreement on German unification and the CFE treaty, both of which are essential elements of the new post-Cold War "architecture" in Europe.

Doubt, too, has been thrown on Soviet willingness to go ahead with further important arms control agreements on strategic and short-range nuclear weapons.

Mr Shevardnadze's accommodating personality has, by common consent, played an important part in achieving East-West détente.

But the influence of individuals on the affairs of nations can often be exaggerated.

More than anything, it is the reasons for his resignation – the growing influence of hard-line political groups in the Soviet Union – which could adversely affect East-West relations if they succeed in taking over the reins of power.

Robert Mauthner

'This is the most difficult statement of my life'

The following are extracts from Mr Shevardnadze's speech to the Congress of People's Deputies.

"This is the shortest and most difficult statement of my life.

"I will be frank, yesterday's statements were the last straw.

"Charges are made that the foreign minister plans to land troops in the Persian Gulf, in the region. I explained, said that there are no such plans. They do not exist. Nobody is going to send a single military man, or even a single representative of the Soviet armed forces there. That was said.

"I want to raise another issue: Is this accidental? Is the statement by two members of the parliament that they have managed to remove the interior minister and the time is nigh to settle scores with the foreign minister accidental? These words were reprinted by the entire world press and our newspapers. Is it a measure of boldness of these boys – I say boys because my age allows me, because they are young indeed – with colonel's shoulder stripes that they make such statements against a minister, a member of the government?

"At the (Communist) congress a real struggle developed, a most acute struggle, between the reformers and – I will not say conservatives, I respect the conservatives because they have their own views which are acceptable to society – but the reactionaries, precisely the reactionaries.

"A dictatorship is on the offensive – I tell you that with full awareness. No one knows what this dictatorship will be like, what kind of dictator will come to power and what order will be established.

"I am resigning. May it be my personal contribution, or if you like, my protest against a dictatorship. I express my deep gratitude to Mikhail Sergeyevich Gorbachev. I am his friend, I am of the same mind as he.

"Yet I believe that a dictatorship will not succeed, that the future belongs to democracy and freedom."

EUROPEAN NEWS

Cossiga takes oath of silence to dampen reaction

By John Wyles in Rome

ITALY'S President Francesco Cossiga has confirmed in Berlin that political miracles really do happen by publicly declaring that he has taken an oath of silence and will say no more in domestic political controversies which involve him personally.

During a private visit, Mr Cossiga said he would only deny or reply "when someone says I am dead." Otherwise, he would not respond to personal attacks: "they do not matter to me, it would be a waste of time," he said.

The President's public undertaking was linked to a personal apology if his public statements of recent months had upset those who held dearly the values which his office represents.

These words suggest that Mr Cossiga has now realised that his reactions in recent weeks to revelations over Operation Gladio – the Nato-inspired guerrilla army formed to resist an occupying force – have brought him too far down into the political arena.

Among others, he has alienated the Communist Party and, most recently, Mr Giorgio La Malfa, the leader of the Republican Party. On Monday, he described a statement by Mr La Malfa as "impudent and imprudent."

If, as many think likely, there is a political crisis in the coming few months, it could be more difficult for some party leaders to have confidence in the impartiality of the President's office when he seeks to encourage the formation of a new coalition.

The President's party, the Christian Democrats, have undoubtedly been telling him that a period of silence would be welcome.

But equally important may have been an interview given this week by Mr Achille Occhetto, the Communist leader, in which he complained that the President was becoming too involved in the political battle and wondered whether Mr Cossiga was altogether "reliable."

The question has seemed increasingly justified even though Mr Cossiga's friends are asserting that he has had to defend himself against a conspiracy got up between some members of all the main parties to eject him from office by impeachment.

In any country other than Italy, the notion of such a conspiracy would be risible, not least because Mr Cossiga is as unimpeachable as they come in Italian politics.

Francesco Cossiga: silent

Delebarre appointed as minister for cities

FRENCH President François Mitterrand has appointed a Minister in charge of cities, in the latest sign of the seriousness with which the Paris Administration is taking the recent series of urban riots, writes William Dawkins.

He is Mr Michel Delebarre, formerly in charge of transport policy, who significantly has also been given the title of senior Minister. This means he is now one of the five leading members of the government after Prime Minister Michel Rocard. He is therefore one of the contenders to replace Mr Rocard should the sporadic undercurrents of tension between the Prime Minister and Mr Mitterrand become an open crisis.

Mr Delebarre, mayor of the port town of Dunquerque, has a history of tackling difficult public projects. He achieved a delicate balancing act between Air France and the Government in the negotiations on European Community airline deregulation and handled sensitive negotiations with groups in southern France opposing a high speed rail extension across the Provençale countryside.

Slovenia warned over vote on secession

By Laura Silber in Belgrade

YUGOSLAVIA'S federal government yesterday threatened to impose economic sanctions on the northern republic of Slovenia if it goes ahead with a referendum on independence on Sunday.

Mr Vlado Kambovski, the Justice Minister, said the referendum was unconstitutional and tantamount to secession. But Slovenia's defence minister, Mr Janez Jansa, said the ballot would go ahead on Sunday.

Slovenia is the first in the Balkan country to hold free elections and end 45 years of communist rule.

The vote is supported by Croatia, the second largest republic. Its parliament will today promulgate a constitution aimed at devolving to the republic greater regional autonomy at the expense of Mr Ante Markovic, the Prime Minister, whose federal authority is weakening.

A recent opinion poll shows Slovene aspirations for independence have been boosted by the election of Mr Slobodan Milosevic as president of Serbia. Mr Milosevic insists that Yugoslavia remain a federation of six republics while Slovenia and Croatia want the country to be transformed into a loose confederation of independent states.

Uncertainty over the army's position, whose generals have warned that the military will not stand by and watch Yugoslavia fall apart, looms over the Slovene referendum.

Slovene politicians have been careful to stress that secession will not be immediate. Its parliament has allowed a six month grace period to see whether agreement can be reached with Serbia. They also realise that the European Community is cool towards the idea of an independent Slovenia.

● The Bulgarian parliament yesterday backed the country's first genuine multi-party government in 40 years, but ex-communists kept a dominant position, Reuter reports from Sofia.

The assembly voted for an 18-member government drawn from the three main political parties and including five independents. The new prime minister is a non-party lawyer, Mr Dimitar Popov.

The government replaces an administration formed by the Socialist Party – the renamed communists – headed by Mr Andrei Lukanov that was forced to resign last month. It will lead the country until elections are held next summer.

EC urges limits on French regional aid

THE EUROPEAN Commission has asked France to stop paying certain categories of regional aid in 11 departments of the country, and to impose limits on aid in other areas still entitled to assistance, writes Lucy Kellaway.

Its proposals are part of a general examination of member states' regional aid to make sure that it is being dispensed fairly in line with EC rules.

The French examination is to be followed early next year by a more wide-reaching survey of German regional aid, which needs big changes following unification.

The Commission's requests are unlikely to receive a warm response in Paris, where any attempt by Brussels to clamp down on aid has been resisted.

The economic situation in the regions concerned has improved so much as to make aid no longer needed, Brussels argues. In addition, Brussels has expressed its doubts about aid paid in a further 10 departments and has said it will examine these over the next three years. It has also proposed an end to the present uncertain system under which regional aid in France is dispersed in several different ways by numerous bodies. It is proposing fixed ceilings for eligible regions, with the aim of make the aid granted more transparent, rather than reducing the total volume.

The Commission also announced that it had opened a procedure into funds paid for the restructuring of publicly owned companies. France has denied that such sums – which have been paid to groups such as Electricity de France, Elf Aquitaine and Pechiney – count as aid.

Hoxha's widow demoted

THE widow of Communist Albania's hardline founder was on Thursday dropped as head of the powerful Democratic Front and replaced by a political associate of President Ramiz Alia, Reuter reports from Vienna.

Tirana radio said Mrs Nexhmije Hoxha, 79, had resigned from her last post as head of the communist-dominated Front for "reasons of age" and had been replaced by Alia's close associate, Prime Minister Adil Carcani.

But diplomats said the move clearly formed part of Mr Alia's attempts to shake off the heritage of former hard-line leader Enver Hoxha and press ahead with political reform.

Mrs Hoxha had been chairman of the Democratic Front, a Communist-controlled organisation that supervises mass organisations and elections, since 1986.

Mr Carcani's appointment to succeed her was seen by diplomats in Tirana as paving the way for further reforms leading this small Balkan country, Eastern Europe's last bastion of orthodox Communism, towards a multi-party system.

EUROPEAN NEWS

French minister rejects Delors attack over Emu

By George Graham in Paris

MR Pierre Bérégovoy, the French finance minister, yesterday rejected the European Commission's complaints that France, along with Germany, Spain and the Netherlands, was seeking to hold up European monetary union.

France remained committed to the Emu objective of a single currency with an independent European central bank, Mr Bérégovoy said, dismissing the criticisms by Mr Jacques Delors, Commission president, as "the rustlings of Brussels".

He said, however, that it was up to the 12 governments of the Community, not the Commission, to decide the content of the treaty on monetary union. The Commission's draft was only one of many texts for discussion at the intergovernmental conference in Rome.

Mr Delors, in an interview with the FT this week, accused the finance ministers of Germany, the Netherlands, France and Spain of not backing "in the bottom of their hearts" the commitment to monetary union made by their heads of government two months ago at the EC Rome summit.

"Do you want me to open my heart? Well, he who believes that he is never wrong is not always right," Mr Bérégovoy retorted yesterday.

French officials say privately that Mr Delors simply wants the 12 to sign his text without alterations. This is unacceptable, they say, particularly as the text leaves glaring gaps on the external monetary policy of the EC and on the role of the ecu. France has thus begun to offer support for parts of the "hard ecu" plan proposed by

Pierre Bérégovoy: rebuff to Delors

Mr John Major, the UK prime minister.

Mr Bérégovoy also said yesterday that he saw no cause for a realignment of the current parities in the exchange rate mechanism of the European Monetary System, despite the slide of the French franc against the D-Mark.

If a realignment were to take place, he added, the French franc would be revalued in the same proportion as the D-Mark.

● Mr Jacques de Larosière, governor of the Bank of France, yesterday announced a new monetary policy target for 1991. The central bank will aim to keep the expansion of M3, a broad monetary aggregate which has been redefined to include cash, deposits, certificates of deposit and money market funds, in a range of 5-7 per cent, compared with projected growth of 5.4 per cent in nominal GDP.

Brussels ready to take on biggest

Lucy Kellaway assesses the significance of cartel-busting against ICI and Solvay

THE European Commission is congratulating itself on busting what it sees as one of the European Community's tightest, longest-standing and most pernicious cartels.

It has fearlessly taken on two of Europe's industrial giants, ICI of the UK and Solvay of Belgium, and found them guilty of breaking the two fundamental principles of competition, Articles 85 and 86 of the Treaty of Rome. As a result the companies owe the EC between them Ecu47m (£36m).

Soda-ash might not capture the public imagination like, say, petrol, but the case is no less telling for that. It shows the Commission is earnest in its attempts to stamp out restrictive practices as the single market approaches.

There are many more cases to come. And the cries of foul play from ICI and Solvay suggest that the Commission is going to have to fight hard for every one.

According to Brussels, the two chemicals companies have for decades been dividing their market through an agreement whereby Solvay keeps out of the UK market, and UK does the same on the Continent. The result is that ICI has secured more than 90 per cent of the UK market, Solvay some 70 per cent of the Continental one.

To make matters worse, they have allegedly been offering secret rebates to big customers to induce them to take on additional volumes – a trick seen by the Commission as an attempt to ensure their customers do not look to a second supplier for additional needs.

This has been further aggravated by a dumping duty that has kept out the US producers, which have natural sources of soda-ash in Wyoming, and which were selling at prices that threatened to put the European manufacturers out of business.

With two bounds the market has been freed. First the Commission has lifted the anti-dumping duty, ignoring a concerted lobbying effort from the European producers. Second it has told ICI and Solvay (and also Chemische Fabrik Kalk of West Germany, which has been found guilty of breaches of the rules) to desist.

ICI and Solvay say the non-competition agreement has been defunct since the 1960s, and that there has been no collusion of any sort. They explain that the markets remain segregated because soda-ash is a low-value product that costs a lot to transport.

As for the rebates, they insist that it is every producer's right to grant volume discounts. They deny the discounts were anything like as big as the 50 per cent claimed by the Commission, and add that the motivation to grant special deals was to help their largest clients – glass-makers – who were themselves in trouble.

The case shows how difficult it is to bust cartels: Commission officials wearily point out that big companies do not need to send each other public faxes and have noisy dinners to fix up a market – they can act to their mutual benefit without getting together at all.

The European courts are not well known for overturning Commission decisions; at most they may cut the size of the fine. They will have no shortage of evidence at their disposal on the two parties: they have been fined four times for competition breaches in other products in the last five years; this week the court has been hearing a case on one of those contested judgments.

As the companies deny carving up the market, they are not likely to change their ways. "In that case, we will fine them again," says a determined Commission official.

Given the size of the two players in a market where high capital costs are a natural barrier to new entrants, it is not realistic to expect a flood of competition from inside Europe, though the other three EC manufacturers may find they are getting a bigger share.

Competition from the US may be more important, and Solvay says it is prepared to lose some of its market in the west of Europe. However, it could one day find that its long-established ways of doing business are changed. It is hard to say how much difference that will make to the company which invented the process for manufacturing soda-ash 100 years ago. In the time-honoured way of Belgian companies, Solvay does not disclose how it makes its money.

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WORLD TRADE NEWS

Airline rights row between US and Japan stepped up

By Robert Thomson in Tokyo

A DISPUTE between Japan and the US over airline rights has intensified with Tokyo hinting that permission could be delayed for take-off slots for US carriers because Washington has failed to approve extra flights for Japanese companies.

Japanese trade officials fear that the dispute, simmering for the past few months but now nearing a climax, could indicate a tough year ahead, as they say Washington has been belligerent in delaying approval for landing rights for two Japanese cargo carriers.

Meanwhile, the US says Japan has unfairly denied United Parcel Service (UPS) an evening take-off slot from Tokyo's Narita airport, so the two Japanese carriers, Japan Airlines (JAL) and Nippon Cargo Airlines, have not yet received permission for services supposed to have begun on October 1.

The dispute has arisen since an agreement in November last year providing for increased passenger and cargo services between the two countries. UPS received six flights per week from Narita for its cargo service, and had wanted evening flights so that customers could be offered a next-day delivery.

However Japan's Ministry of Transport says that overcrowding at Narita leaves few openings, and that UPS should be happy with five evening flights and one morning slot. The ministry yesterday suggested that permission could be delayed for a new United Airlines service, scheduled to begin from January 9.

A ministry official said: "We think there is an imbalance now in flights between the two countries. If the Japanese airlines don't get approval and we gave approval for the United Airlines flights, it would be a very unbalanced situation."

Transport Ministry negotiators had offered UPS two evening and four morning slots, but after US protests, improved the offer to five evenings, and have since insisted that there is no opening for a sixth evening flight.

The longer the dispute lasts, the longer the list of delayed services. Under the bilateral agreement, new passenger services by All Nippon Airways (ANA) and JAL, as well as by Delta and American Airlines, are supposed to begin by the end of March.

Hong Kong satellite TV wins go-ahead

By Angus Foster in Hong Kong

ASIA could have its first regional satellite television service by the end of next year following a decision by the Hong Kong government to allow HutchVision, a subsidiary of Mr Li Ka-shing's property-to-telecommunications group Hutchison Whampoa, to broadcast from the colony.

HutchVision has been given the go-ahead after several months of argument with the government about the conditions to be applied to its satellite broadcasting licence. Although some of those conditions remain in place, HutchVision believes the HK$3.1bn (£206m) project is still viable.

The company will use Cable & Wireless equipment in Hong Kong to link up with the recently launched AsiaSat 1 satellite, in which both Hutchison and Cable & Wireless hold 33 per cent stakes. HutchVision will lease 12 of the satellite's 24 transponders.

Hutchvision hopes a mixture of advertising and subscription revenues to fund its service. It will start by offering two channels but could grow to as many as eight. The company will initially concentrate on the markets in Taiwan, Thailand and Hong Kong although the satellite footprints stretch from Mongolia to Burma.

Hutchison first looked at satellite TV 18 months ago after it failed to win the franchise to provide Hong Kong's first cable TV network. The winning consortium, which included the Sir Yue-kong Pao-founded Wharf Holdings, later pulled out after disagreement between the shareholders.

Contract for radar awarded

By Tim Blue in Sydney

A CONTRACT worth A$907m (£360m) for the development and production of the Australian Jindalee over-the-horizon radar system has been awarded to a consortium of Telecom Australia, GEC of Britain and Lockheed of the US. The announcement was made by Senator Robert Ray, the Australian Defence Minister.

The unsuccessful tender came from AWA, General Electric of the US, Computer Sciences of Australia and Sydney-based engineering conglomerate Transfield Pty Ltd. The contract includes four years of maintenance and support after the five-year construction phase.

Mr Ray said the over-the-horizon radar would enhance Australia's defence self-reliance by detecting sea and air targets in the approaches to north Australia.

The system would also provide a deterrent to illegal immigration and drug smuggling as well as helping aircraft rescue operations.

Jindalee can scan over the horizon by bouncing signals off the ionosphere. The initial network will consist of two radars, one in central Western Australia and another in Queensland.

Finland expected to lift restrictions on energy imports

FINLAND is likely to lift restrictions on companies importing energy after Finnish-Soviet clearing trade comes officially to an end in June 1991, writes Enrique Tessieri in Helsinki.

Mr Ilkka Suominen, minister of trade and industry, has announced that there is no reason why Finland should continue to have any energy import restrictions.

At present, only a handful of Finnish companies have been granted licences to import energy. In 1989, Finland imported more than 90 per cent of its oil, all of its gas and 50 per cent of its electricity from the Soviet Union.

Because of Finland's sensitive geo-political situation and remoteness from western Europe, the country has strict regulations on energy storage capacity requirements. An oil importer, for instance, is required to have three times more oil storage capacity than its annual imports.

Neste, the state-owned oil and chemicals group, believes that oil imports from the Soviet Union will reach 6m tonnes in 1991.

The announcement by Mr Suominen was made after Moscow had declared that it would not grant Finland any transition period after 1990 before switching from semi-barter to hard currency trade.

Clearing trade will officially end on June 30, 1991, after a six-month period when both parties have taken care of any payments which have been left in the clearing account from 1990.

Mr Matti Vuoria, a ministry of trade and industry official, did not also exclude the possibility that Neste could be given a further six-month transition period from next July.

Japan takes on more of US forces' costs

By Ian Rodger in Tokyo

JAPAN is to raise its share of the $7.6bn (£3.9bn) in annual costs of US forces stationed in the country from 40 per cent to 50 per cent.

In response to US calls for more host country support for its 50,000 forces stationed in Japan, the government has agreed gradually to take over the entire cost of the basic salaries of Japanese personnel working on US bases and all utilities, except telephone and waste disposal.

In the first year of the new programme, this will cost an additional Y10bn, rising to Y84bn in 1995-96.

The changes will increase the Japanese contribution for US forces to 50 per cent by 1995.

The government yesterday approved a Y22,750bn (£88.6bn) five-year defence build-up programme, announced earlier this week, which includes the purchase of four airborne radar (Awacs) aircraft, 36 multiple-launch rocket systems and two destroyers equipped with Aegis missile systems.

Overall Tokyo has cut the annual growth in its military spending from 5.4 per cent to 3 per cent in the next five years.

Although Japan has a pacifist constitution and has renounced the right to use force to resolve international disputes, it has developed substantial air, ground and naval forces in recent years for various self defence roles.

The government has faced a number of conflicting pressures in preparing its latest five-year plan, not least the because of the easing of international tensions.

The US wants Japanese spending, especially on big ticket US equipment, to continue to grow rapidly, but Japan's Asian neighbours are nervous about the country's growing military strength.

As elsewhere, there is popular demand in Japan for a Cold War dividend. However, the government is still dissatisfied with the lack of progress towards resolving tensions in bilateral relations with the Soviet Union. In a cautious official statement, the government said the new five-year plan was set "taking into account the recent changes in the international situation".

But at a press conference, Mr Misoji Sakamoto, the chief cabinet secretary, said simply that the Soviet military threat had receded.

The government said that the levels of defence capabilities sought in a 1976 policy paper at the beginning of the build-up programme were now being achieved.

The new five-year plan was aimed at "building efficient and appropriate capabilities" within the framework of that policy.

In light of the rapidly changing global strategic situation, the programme would be reviewed in fiscal 1993, government officials said.

Ambitious growth plan for Tokyo

By Ian Rodger

THE Japanese government has set an ambitious target of 3.8 per cent for real economic growth in its next fiscal year to March, 1992.

The target is slightly higher than the average of forecasts made recently by leading private sector economists, but it recognises that the economy is slowing down from the extraordinarily strong pace being achieved this year.

The government's Economic Planning Agency (EPA) originally projected a 4 per cent real growth rate for the current fiscal year, but has revised it upward to 5.2 per cent because of booming consumer demand and corporate capital spending.

EPA officials singled out higher oil prices and interest rates as the main factors likely to stem economic growth next year. However, one emphasised that a slower growth rate was appropriate, neither too strong nor too weak.

According to the EPA, domestic demand would continue to drive the economy, growing at 4 per cent in fiscal 1991, while external demand would decline 0.2 per cent.

The official forecast is made after negotiations among the main economic ministries, and becomes part of the basis for preparing the government's budget for the fiscal year.

Among leading private sector forecasts, the most pessimistic have come from Mitsubishi Research Institute and the Japan Economic Research Centre, both of which believe the economy will grow by only 2.9 per cent in fiscal 1991.

Concern over foreign investment

By Stefan Wagstyl in Tokyo

JAPAN must play a role in promoting more investment in poor parts of the world, including Latin America, east Europe and the Soviet Union, a government-sponsored group said in a report yesterday.

The Japan External Trade Organisation (Jetro) said there were concerns that the global supply of capital may be restricted by the recent rise in interest rates, a plunge in equities and an intense demand for funds from certain regions.

It was vital that capital, as well as manufacturing and production know-how, flowed smoothly to developing countries. Special long-term consideration would have to be given to Latin America, east Europe and the Soviet Union. Japan had to play an important role, promoting development in East Asia and other regions.

Jetro also published figures for Japan's direct investment overseas for the half-year to the end of September, which showed a decline for the first time since the early 1980s. The total fell 10.2 per cent to $27.7bn (£14.3bn), due mainly to the fall in the equity market and high interest rates.

The decline was particularly severe among financial services companies which cut investment by 49.6 per cent and helped to push down investment by non-manufacturing groups by 11.5 per cent to $19.7bn. Investment by manufacturers fell 6.3 per cent to $7.7bn.

Investment in North America fell 3.3 per cent to $13.3bn and in Europe by 13.9 per cent to $6.6bn. Europe was particularly badly affected by the fall in investment by companies in financial services.

The figures for the half-year were a sharp contrast to the data for the year to the end of March, which Jetro also published yesterday. Investment in the period rose 43.6 per cent to a record $67.5bn. It was the third year in a row to see growth of over 40 per cent. Investment in North America soared last year by 51.8 per cent to $33.9bn, or 50.2 per cent of total Japanese foreign investment. Investment in Europe jumped 62.4 per cent to $14.8bn, exceeding $10bn for the first time. Britain accounted for $5.2bn, the second highest national total after the US.

Non-manufacturing companies invested $50.5bn, an increase of 54.8 per cent, including a particularly large jump in investment by services companies. Manufacturers invested $16.3bn, an increase of 18 per cent.

●THE MIDDLE EAST

Iraq continues to strengthen forces in Kuwait

By Mark Nicholson in Riyadh

IRAQ is continuing to fortify and reinforce its military positions in Kuwait and shows no signs of preparing to withdraw before the UN deadline of January 15, western officials said yesterday.

Officials also downplayed suggestions that a US-led attack on Iraq would not be possible before mid-February, by which time arriving US reinforcements are expected to be battle-ready.

They said a decisive attack was feasible with forces already in place, and pointed out that the US could launch an air assault without all ground units being ready for combat.

Yesterday officials in Brussels were quoted as saying that the Turkish government asked its Nato allies to send fighter aircraft to Turkey from a Nato rapid reaction unit. Iraq appears to be preparing for an attack in any event, and is further extending heavily fortified defences both in Kuwait and within its own borders.

Iraq's main defensive line of ditches and anti-tank mounds, which already extend across Kuwait's southern border, is being extended west and now reaches 90km along Iraq's southern border with Saudi Arabia, officials say.

Iraqi forces are also said to be digging in behind a second tier of earthworks south of Kuwait City and 30km north of the front line in apparent preparation for a fall-back defence should the front line be breached.

Intelligence reports also show the recent arrival in Kuwait of up to 100,000 additional Iraqi infantrymen, with Soviet built T-62 and T-54 tanks, raising the size of Baghdad's forces in the emirate to 510,000.

However, western military officials say the reinforcements comprise mainly ill-trained reservists and out-dated armour which may only serve to intensify the logistical difficulty of supplying Iraq's main forces in Kuwait.

Recent evacuees from the emirate have reported tanks being forced to syphon fuel from cars and trucks. Food, water and other supplies are also reported to be in acutely short supply.

Western diplomats, meanwhile, treated as an unfortunate gaffe remarks made on Wednesday by General Calvin Waller, deputy commander of all US forces in the Gulf, which appeared to rule out any attack on Iraq before mid-February. Gen Waller said that additional US armoured units, require to place the multinational force in Saudi Arabia fully on battle footing, will arrive in the kingdom only in late January and that they will not be ready for combat till at least a month after the expiry of the UN deadline.

His remarks were echoed in spirit by Mr Dick Cheney, the US defence secretary, who arrived in Riyadh on Wednesday with Gen Colin Powell, chairman of the joint chiefs of staff, for talks with commanders of the multinational force.

Diplomats interpreted Gen Waller's remarks either as an unnecessary statement of the obvious – it is a working assumption that newly-arriving troops take up to three weeks to gain battle readiness – or a clumsy bid to regain an element of military surprise.

Many military officials in the kingdom feel that the UN-set deadline had only tightened a straitjacket around the timing of any military operation.

One western diplomat yesterday described the general's comments as "either a bit gauche or a badly organised piece of disinformation".

■ Leaders of the six member states of the Gulf Co-operation Council meet this weekend for the first time since the Iraqi invasion to discuss ways of improving their defences once the Gulf crisis is solved, Reuter reports from Bahrain.

Alarmed by the prospect of war on their doorstep, the leaders will talk about forging a new security framework when they begin a three-day meeting in Doha, capital of Qatar.

A Greek Orthodox priest near an Israeli patrol in Bethlehem where unrest is feared at Christmas

Share scandal bankers to face charges

By Hugh Carnegy

THE Israeli government yesterday confirmed it is to prosecute a group of former bankers involved in a 1983 share scandal, a move which may complicate efforts to sell off the state's majority shareholdings in the country's main banks.

Mr Yosef Harish, the attorney general, is to press charges of illegal share manipulation against more than 20 former bank executives from Bank Hapoalim, Bank Leumi, Israel Discount Bank and Bank Mizrahi. He originally decided prosecution would not be in the public interest, but reversed this after a Supreme Court ruling strongly criticised his lack of action.

The charges relate to the early 1980s when the banks systematically bought up their own stock to build up their share prices. When a sudden tide of selling by the public punctured the system, the government was forced to rescue the banks by buying up majority, but non-voting, stock at the cost of several billion dollars. Most of those involved quit the banks. But, embarrassingly, several are now bidding to buy control of their former institutions under the state's move to sell off the holdings.

Most prominent are Mssrs Raphael and Udi Recanati and Mr Eli Cohen of IDB. The Recanati family have continued to control IDB under a preferential share arrangement. Now they are the only bidders left in the tender for the bulk of the government's majority IDB holding which will have full voting rights after sale.

Israel agrees deal in defence bribes case

By Hugh Carnegy

ISRAEL'S chief military legal officer said yesterday he had agreed to limit prosecution of a senior air force officer at the centre of corruption scandal involving defence contracts with the US in return for full co-operation with the authorities.

Gen Amnon Strashnov, the Israeli Defence Force attorney general, told Israel Radio he signed the agreement with Brig-Gen Rami Dotan, until his arrest in October the head of air force procurement, "in order to try to exhaust the investigation and reveal the truth".

A number of former top army and air force officers, appalled by the stain the scandal has put on the military's cherished reputation for integrity, have strongly attacked any "plea bargaining deal" for Gen Dotan and his accomplices. But Gen Strashnov said it was the only way to crack Gen Dotan's lack of co-operation to date and get to the bottom of the affair.

Gen Dotan and at least one other senior Israeli Air Force officer, Col Yitzhak Sa'ar, are suspected along with at least two Israeli civilian company directors of involvement in a system of fraud, bribes and kickbacks from defence contracts worth millions of dollars.

Israeli officials are anxious to discover how far the corruption ring extended within the defence establishment and why the fraud went apparently undetected for several years. A wholesale review of air force procurement has been ordered by Mr Moshe Arens, the defence minister.

The authorities are also worried that the affair may rebound on military relations with the US at a time when there is some pressure in Washington to scale down the huge programme of military and civilian aid to Israel. If abuse of aid money is shown to have occured, it will make Israeli requests for new weapons systems harder to press. The IAF is the principle beneficiary of $1.8bn (£930m) in annual military aid Israel receives from the US. US officials are studying the case closely for any implications it may have for the aid programme or for US defence contractors. General Electric of the US, which among other equipment has supplied engines to the IAF fighter fleet, has said it is conducting an internal investigation into its contacts with Israeli companies.

Gen Dotan, one of the IAF's top engineers, was regarded as a leading expert on fighter aircraft engines. As head of procurement, he exercised key influence in deciding where to source millions of dollars worth of engine orders.

The agreement with Gen Dotan is understood to include undertakings that his wife will not be subject to prosecution and that any jail term for himself will be limited. He has also pledged to return embezzled funds, although it is not clear how much was taken illicitly or how much is recoverable

Pessimism at Cambodia talks despite pledges

CAMBODIAN guerrilla groups said yesterday they planned to give wholehearted support to a United Nations peace plan at talks opening today with their arch-enemy, the Phnom Penh regime of the prime minister, Hun Sen, Reuter reports from Paris.

But western and Asian diplomats involved in the peace plan were pessimistic about the talks and said they were likely to break up without agreement.

Hun Sen and his Vietnamese backers, who drove the widely feared Khmer Rouge from power in 1979, have expressed grave doubts about important aspects of the UN Security Council-sponsored proposals.

India and Pakistan finalise agreement to reduce tension

By Farhan Bokhari in Islamabad

INDIA and Pakistan yesterday finalised an agreement to be introduced from next month, which would prevent them from attacking each other's nuclear installations.

The agreement was signed in December 1988 but had to be ratified by parliaments in each country before it could be introduced. The two countries also agreed to exchange information on troop deployment and troop movements between senior military commanders on a weekly basis.

At the conclusion of three days of high-level talks between foreign secretaries of both countries in Islamabad, Mr Sheharyar Khan of Pakistan said that his country had also proposed a regional solution to curbing nuclear proliferation, but the Indian side favoured a global approach.

Mr Khan said that his country took a firm position on Kashmir, because it sees the solution to this problem as the only way for promoting peace between the two countries. Pakistan has always demanded the right of self-determination for Kashmiris while India sees this as an internal problem. In recent months, the uprising in Kashmir has triggered protests in Pakistan. As Mr Khan spoke another public demonstration condemning Indian action took place nearby.

Asia-Pacific region's growth averages 5.4 per cent

By Paul Taylor, Asia Business Correspondent, in Bangkok

THE Gulf crisis has placed a brake on economic expansion in the Asia-Pacific region, but regional growth still averaged a healthy 5.4 per cent this year, the Economic and Social Commission for Asia and the Pacific said yesterday.

In its end-year economic report the Bangkok-based United Nations agency noted that economic growth in almost all the oil-importing countries of the region has fallen, while Asia's major oil exporters, Indonesia, Malaysia and Brunei all registered higher growth in 1990.

"Many of the affected countries of the region have lost 1 to 2 per cent of their growth rates," said Mr S.A.M.S Kibria, Escap's executive secretary.

Nevertheless, he added, "on the whole the performance of the Asia-Pacific region has been satisfactory compared to the rest of the world, but less satisfactory than in 1989.

"This is because the countries of our region have followed prudent and often conservative policies of macro economic development."

However, Mr Kibria also noted that while inter-regional trade has grown, particularly with Japan and the newly industrialising countries, Escap believes the linkages are weak and that strengthened economic co-operation within the region could provide a vehicle for reinforcing economic growth.

Since Iraq invaded Kuwait at the start of August Mr Kibria noted that oil prices had increased by 60 per cent and that many developing countries have lost large incomes from exports to and remittances from their workers in the Middle East. As a result, like other oil-importing countries, Asia's "high-flying" economies have slowed down.

With the exceptions of South Korea and Hong Kong, expansion rates throughout the region have fallen. Economic growth in Taiwan and Singapore slipped to 5 and 8.5 per cent respectively this year, from 7.4 per cent and 9.2 per cent in 1989, while growth rates in both Thailand and the Philippines have fallen sharply, by almost three percentage points. Thailand will still have the fastest growing economy in the region this year with real Gross Domestic Product growth of 9.6 per cent.

The Escap report said Thailand was better able to cope with the Gulf crisis because of its continuing strength of exports, relatively lower dependence on energy imports, strong domestic consumption and investment expansion. In contrast, the growth rate in the Philippines may be halved to 3.3 per cent this year.

China's austerity measures not only cut its growth rate from 3.9 per cent in 1989 to 3.5 per cent this year but also helped reduce its inflation.

However, Escap noted that most countries in the region face growing inflationary pressures and that the divergence among South-East Asian nations in price stability was considerably greater than in their growth performance.

Overall the agency expects inflation rates to rise in most countries in the region over the next two years, while growth rates, after dipping in 1991, are generally forecast to bounce back in 1992.

Aside from uncertainties created by tension in the Middle East and the slowing growth of Western economies, particularly the US, Mr Kibria said the deadlock in the Uruguay round of the General Agreement on Tariffs and Trade poses a serious threat to regional economies.

China's hardliners reform the meaning of reform

Leadership consolidates its power as five-year plan comes up for decision, writes Colina MacDougall

ARGUMENTS between China's hardline leadership and reformists remain unresolved as the party prepares for its long-overdue central committee meeting next week at which a new five-year plan is expected to be outlined.

However, the signs are that the hardliners, in charge since the Peking massacre last year, are consolidating their position.

Li Peng, the premier, announced recently that the gathering would take place at the end of this month – not before time since the plan is supposed to start on January 1 – and would be devoted exclusively to economic matters.

This seems to rule out any leadership changes (Hong Kong newspapers reported earlier that Li Ruihuan, a committed reformer, might be removed from the six-man ruling politburo standing committee) or a resolution of the fate of Zhao Ziyang, the party chief sacked after the Tiananmen protests last year.

Li Peng also noted that "Comrade Deng Xiaoping is in good health", to reassure public opinion that despite the 86-year-old patriarch's absence from the scene for the past four months, no succession struggle is about to break out. There is of course no need to believe him.

Li Peng: eager to keep succession struggle off the agenda

Li Peng said the meeting, for which he did not name a specific date but which is thought to be set for December 25, would focus on the five-year plan and a proposed 10-year strategy for economic development.

This does not mean it will not be controversial. Postponements of the meeting from October on, and the lack of a concrete plan so far hint strongly that argument between reformists and hardliners over economic policy are fierce.

A key meeting was held last month of leaders of China's prosperous east coast cities and provinces. Peking tried, apparently without success, to persuade them to hand over moneys they collect under tax reforms introduced in 1987. They probably represent Peking's strongest opposition because of their financial power, and in the central committee debate are certain to oppose moves by the central government towards further re-centralisation.

The hardliners have been blessed with some economic success: inflation has dropped from more than 18 per cent last year to 3 per cent this, and the trade balance is healthy.

At 420m tonnes, this year's harvest was the best ever, relieving fears of a Soviet-style empty-shelf trauma. Growth of industrial production, which early this year fell below last year's level, is expected to recover to an average of about 6 per cent for 1990.

This seems to have given the leaders a sense of security. Since late November they have brought to trial at least six of the democracy protest leaders arrested after the June demonstrations last year. They regained some international respectability by backing the west on Iraq and most of the sanctions imposed after the Peking massacre have been lifted.

Party and government reshuffles have strengthened their hand. Wang Feng, the security minister, probably seen as unreliable because he dithered during last year's crisis, has reportedly been sacked. Local military leaders, like many provincial governors and party secretaries, have been switched around to detach them from their power bases.

The propaganda has gone increasingly conservative. For the first time a symposium has been held in Peking to discuss the "thought" of Chen Yun, the octogenarian central-planning, limited-free-market guru. Officials again mouth phrases about the "people's democratic dictatorship" and the superiority of public ownership. People are exhorted to call one another "comrade".

Whatever the Chinese say about "deepening reform", this bodes ill for further economic liberalisation. Li Peng said little concrete about reform in a speech to an important national planning conference last month. Only the "open door" policy of exposing China to the outside world, and reform of the state enterprise system, of the many reforms mooted by the pre-Tiananmen leadership, got a mention, and his reference to enterprise reform suggested it could be tailored to step up, not reduce, central control.

Nibbles at peasant freedom have begun. Last month the State Council, China's cabinet, announced a return from the present freedom to decide on which crops to grow to the pre-1985 system of fixed quotas for grain. Under this the peasants were compelled, on pain of serious punishment, to produce a fixed amount for sale to the state at low fixed prices.

But the hardliners' position is still precarious. Today's apparent economic stability may only be temporary. The huge expansion of credit – by the end of November total domestic bank loans were Yn248.6bn (£25bn), almost 70 per cent up on the same period in 1989 – seems almost certain to launch another inflationary spiral.

No real reform of the vast loss-making state industry is in sight. Some price reforms, to iron out distortions in the economy, are promised, but they seem unlikely to make much impression on the enormous subsidies (about a third of the state budget) which Peking pays to keep the cost of living down.

US calls on Peking to free political prisoners

By Peter Ellingsen in Peking

MR Richard Shifter, US assistant secretary of state, has urged China to release prominent political prisoners.

Mr Shifter, who oversees human rights for the State Department, presented the authorities with a list of 150 names, including leaders of last year's democracy movement, people held after 1978's Democracy Wall uprising, Catholic priests and Tibetan dissidents.

In a break from their traditional response, government leaders did not dismiss the appeal as an intrusion into China's internal affairs, but they refused Mr Shifter's request to visit political detainees in prison. Diplomats said the hearing given to Mr Shifter reflected Peking's recognition that it needed to pay more attention to human rights, though not necessarily make any concessions .

The visit comes just as Peking has charged and is about to put on trial about 50 people involved in last year's anti-government rallies. Millions protested in Peking last year before the army forcefully crushed dissent, killing an estimated 1,000 people.

There are unconfirmed reports that senior government and Communist Party figures have indicated that light sentences should be given to student leaders, with harsh penalties handed out to intellectuals who allegedly masterminded the protest.

Those facing the courts have been charged with counter-revolution and sedition, crimes that carry a minimum penalty of five years' imprisonment, and a maximum penalty of death. Among the accused are Chen Ziming and Wang Juntao, publisher and editor of a now-banned magazine, and Liu Xiaobo, who returned from the US last year to take part in the democracy movement.

Also charged are Bao Tong, a Central Committee member and former private secretary to ousted Communist Party chief, Zhao Ziyang, Wang Dan, the Peking University student who was number one on the most wanted list, and Liu Gang, a former Peking graduate student, who was number three.

Wang was named in a long article in the official People's Daily earlier this week as one of the movement leaders who had used dissatisfaction about official corruption as a "tactic" to overthrow the Party.

OECD ECONOMIC OUTLOOK

FORECAST GROWTH OF 2 PER CENT NEXT YEAR MAY BE OPTIMISTIC

OECD does not expect a global recession in 1991

THE GOOD news in the latest half-yearly *Economic Outlook* from the Organisation for Economic Co-operation and Development is that the OECD does not expect anything like a global recession next year.

The bad news is that all the risks surrounding its forecast are on the downside; and that is before taking account of possible dangers arising from the Gulf crisis.

For the 24 industrialised nations of the OECD, the Outlook projects 2 per cent real growth in 1991 and 2.5 per cent in 1992. Overall inflation is expected to accelerate to an annual rate of 5.2 per cent in the first half of 1991 from around 4.5 per cent at present. Unemployment is forecast to rise to 6.9 per cent of the industrial world's working population by the end of 1992 from around 6.3 currently.

The risks in the Outlook were acknowledged yesterday by Mr David Henderson, head of the OECD's economics and statistics department. He said that gloomy economic news from the US over the past month meant the OECD's projections for US growth in the present half of 1990 and the first six months of 1991 were too optimistic.

That means OECD-wide growth is likely to be lower than forecast over this period, although Mr Henderson could not specify by how much, He said he still believes that growth rates will accelerate and inflation rates fall from the middle of 1991.

In framing its projections, the OECD has made certain basic assumptions.

At the technical level, it postulates no change in the real price of imported oil from $27 a barrel estimated for the second half of 1990.

It also assumes that policymakers will react firmly to the recent rise in oil prices so as to contain inflation, and that private sector confidence is broadly sustained in spite of recent adverse developments in oil and financial markets.

"To the extent that these assumptions are met, difficulties associated with the oil price increase should prove to be only temporary," the OECD says. But elsewhere in its report, it acknowledges that "confidence has become more fragile."

The OECD believes the latest oil price shock will pass rapidly through the economies of the industrialised world and do less damage than the shocks of 1973-74 and 1979. Not only is the oil price increase lower than in earlier cases, but the OECD economies are better able to cope because of reduced energy dependency and the effects of structural reforms in the 1980s.

Peter Norman looks at the latest half year assessment

On the other hand, recent exchange rate developments, in particular the decline in the dollar's value, could cause concern if they persist. The weak dollar poses inflationary risks for the US.

The OECD also thinks the rise in German and Japanese interest rates relative to dollar rates is significant. The disappearance of the large interest rate differential in favour of the dollar "may be fundamental rather than temporary, which could generate on-going changes in patterns of international finance," the OECD says.

With higher inflation and weaker activity in prospect, the OECD says governments must take more effective action across the full range of policies.

Monetary policy will continue to bear the brunt of the fight against inflation. But the OECD makes a strong plea for action to reduce budget deficits – especially in the US.

It also called on governments to maintain the momentum of structural reform, especially in the trade area. Mr Henderson said yesterday that restarting the Uruguay Round trade liberalisation talks "has now become an urgent priority" for the world and that the main responsibility lies with OECD governments.

The organisation is concerned about fragility in financial markets. To minimise risks in the medium term, it calls on governments to ensure that:

- Lender of last resort facilities would only be used and monetary conditions eased in the face of "systemic" threats to the financial order.
- Deposit insurance and investor guarantees are subject to greater conditionality.
- Accounting standards are clearer and capital adequacy guidelines are well-designed and uniform.

It also said supervisory bodies should be strengthened and better co-ordinated to avoid relatively risky financial activities moving to centres of least supervision.

Against a generally gloomy picture, some worries that plagued the OECD for years are now of less concern. Recent exchange rate changes and widening growth differentials among the main economies should mean that by 1992, the US current account deficit and the Japanese and German surpluses may have narrowed to around 1 per cent of gross national product in each case.

OECD Economic Outlook, Number 48, December 1990. OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex 16. FFr100 or from HMSO.

OECD PROJECTIONS*
Seasonally adjusted at annual rates

	1989	1990	1991	1992
Real GNP (% change***)				
US	2.5	1.0	0.9	1.9
Japan	4.9	6.1	3.7	3.8
Germany	3.9	4.2	3.0	2.6
OECD Europe	3.5	2.9	2.1	2.5
Total OECD	3.4	2.8	2.0	2.5
Inflation (GNP/GDP deflator, % change***)				
US	4.1	4.2	4.9	4.5
Japan	1.5	1.5	2.2	1.9
Germany	2.6	3.4	4.3	4.0
OECD Europe	5.5	5.8	6.1	5.4
Total OECD	4.3	4.3	4.9	4.3
Current balances ($bn)				
US	-110.0	-103.6	-93.8	-80.6
Japan	57.2	38.4	37.0	38.1
Germany	55.4	49.3	29.6	17.9
OECD Europe	8.5	-14.7	-34.3	-46.2
Total OECD	-79.2	-111.1	-117.4	-95.1
OPEC	-2.2	14.1	22.2	5.7
Non-OPEC dev countries	-9.2	-13.1	-19.7	-21.8
Unemployment (% of labour force)				
US	5.3	5.5	6.4	6.7
Japan	2.3	2.1	2.3	2.3
Germany	5.6	5.0	5.0	5.1
OECD Europe	8.5	8.0	8.3	8.4
Total OECD	6.4	6.2	6.7	6.9
World trade**(% change***)	7.0	5.1	5.2	6.3

*Assumptions include: no change in policies; no change in exchange rates from November 5, 1990 ie $1 = Y127.35 and DM1.49; oil $27 per barrel for second half 1990 and constant in real terms thereafter. Other information used was as at November 13. German data for GNP, inflation, labour markets refer to western Germany only. Current balances refer to Western Germany until first half 1990 and united Germany thereafter.
**Average of growth rates of world import volume and world export volume
***From previous period.

Bleak outlook for British economy

By Peter Norman, Economics Correspondent

RISING unemployment, a bleak outlook for business investment, and economic growth significantly below potential output is what the OECD sees for Britain over the next two years.

The Economic Outlook says that participation in the exchange rate mechanism of the European Monetary System "constitutes an ambitious strategy" for the UK.

While the benefits are potentially great, ERM membership "implies a medium term commitment to bringing – and keeping – inflation down to broadly the rate prevailing in other ERM member countries," the OECD says.

It warns that this "may be difficult to achieve without radical changes in wage-setting behaviour." Accordingly, it urges the government not to ease the fiscal stance in coming budgets.

The OECD sees a drop of 0.5 per cent in gross domestic product in the current half year compared with the first half six months of 1990.

But its forecasts, like all the information in the Economic Outlook were based on data available until November 13 and have not, therefore, captured the sharp deterioration in British activity highlighted in more recent government statistics.

The OECD writes that "economic activity is projected virtually to stagnate over the year to mid-1991, possibly declining a little in one or two quarters, and to recover only slowly thereafter."

It projects a 0.7 per cent rise in GDP next year compared with 1990 and a 1.7 per cent rise in 1992.

Given subdued output growth, the organisation sees the unemployment rate rising to 6.7 per cent of the population by the second half of 1992 from 5.9 per cent in the current half-year.

This development should start to restrain the rise in effective earnings and eventually reverse the upward trend of underlying inflation, the Outlook says.

The OECD sees little likelihood of a revival in the housing market. It also fears that sterling's higher exchange rate in the EMS will slow export growth. The report projects some narrowing in Britain's current account balance of payments deficit in the near term. But it warns that the deficit may start rising again in 1992.

HIGHLIGHTS OF THE UK FORECAST
(Percentage changes, seasonally adjusted at annual rates, volume)

	1990	1991	1992
GDP	1.6	0.7	1.9
Total domestic demand	0.9	0.3	1.8
Private consumption	2.4	1.0	1.8
Industrial production	0.9	0.3	1.8
Gross fixed investment	−1.3	−2.2	1.8
Consumer prices#	4.6	6.3	5.3
Exports*	6.7	5.0	5.2
Imports*	3.8	3.2	4.6
Memorandum items			
Unemployment rate	5.8	6.2	6.6
Savings ratio	7.6	7.8	8.0
Current balance ($bn)	−30.0	−26.0	−27.0

*Goods and services; #National accounts implicit private consumption deflator.

OECD sees 3.7% growth for Japan

AT first sight, the latest OECD Outlook suggests that Japan's economic growth prospects are dwindling rapidly.

It forecasts that GNP growth will fall to 3.7 per cent next year and 3.8 per cent in 1992 after growth this year of 6.1 per cent.

Only two days ago, the OECD's annual report on the Japanese economy forecast growth next year of 4.1 per cent after growth estimated at 6.3 per cent this year.

The difference between the two forecasts is explained by delays in publication.

The outlook's editorial was completed on November 30.

However the OECD report on Japan was based on a study completed on September 4.

The confusion caused by the different forecasts within two days will strengthen the case of those urging the think tank to accelerate dissemination.

Industrialised world urged to buy more from east Europe

THE OECD has called on its members to establish more open markets for goods from eastern and central Europe to help the process of economic reform.

Its Economic Outlook warns that restricting market access could hinder structural reforms in those countries and "could even threaten the reform process itself."

It says that the slowdown in the world economy, the rise in interest rates and, in particular, higher oil prices has created a more difficult environment for the former Communist countries to move over to a market economy.

"It is clear that effective transformation is very much a medium term process," the OECD says. Output declined in all the countries this year and is likely, at best, to stabilise in 1991. Inflation remains a widespread problem. In the Soviet Union, "specific reform measures have not been agreed, let alone implemented."

The OECD says gross national product in the Soviet Union fell an estimated 3 to 5 per cent this year and could fall by 5 per cent in 1991.

Without strong measures Soviet inflation could accelerate to 50% next year

The Soviet deficit is an estimated 10 per cent of GNP this year. Without strong measures to stabilise the economy, Soviet inflation could accelerate to 50 per cent next year from 10 to 15 per cent in 1990.

Elsewhere, output declined by as much as 15 to 20 per cent in Poland and Romania in 1990.

The OECD says the trading performance of the east and central European countries is likely to deteriorate by $10bn because of the phasing out of Comecon trade agreements, the shift to world market prices in trade with the Soviet Union, the end of subsidies on purchases of Soviet oil and higher oil prices.

Higher oil prices and lost subsidies could cost Bulgaria the equivalent of 4 per cent of GNP, Czechoslovakia and Hungary around 2 per cent and Romania 1.5 per cent of GNP. Poland, with its large domestic coal output, will lose less than 1 per cent of GNP.

Despite its oil wealth, the Soviet trade position will worsen because of falling exports and rising imports.

AMERICAN NEWS

Corruption charges in Chicago

By Barbara Durr in Chicago

FIVE top Chicago power brokers have been indicted on charges including racketeering, bribery, conspiracy, extortion and tax fraud after federal investigators had unearthed an alleged widespread corruption network. At least two of the five are alleged to be connected with the mafia.

Mr Fred Foreman, US Attorney for Northern Illinois, said the corruption ring stretched from Chicago's city council to the Illinois legislature to the Cook County (Chicago) circuit court.

The indictments emerged from a Federal Bureau of Investigation undercover probe that used a hidden camera in the group's favourite coffee shop and a lawyer who turned government informant.

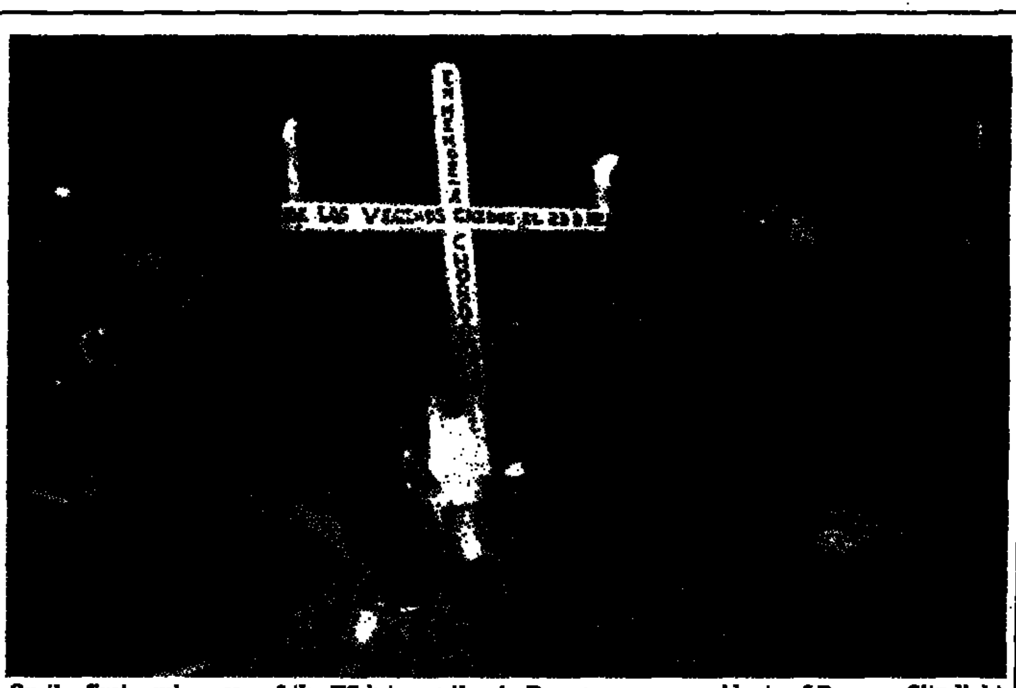
The charges include paying a $10,000 bribe to a judge to acquit an alleged hitman of murder (despite testimony of two eye-witnesses to the crime), acceptance of a $75,000 bribe to "fix" another murder case against three Chinese gang members, bribery to secure the acquittal of a mob member who had brutally beaten a woman police officer, and acceptance of monies to introduce legislation in the Illinois senate and influence a zoning decision by the Chicago city council.

Indicted were Mr Fred Roti, a city council alderman for 22 years and alleged to be the mob's representative at City Hall; Mr Pat Marcy, secretary of the Chicago First Ward Democratic Party organisation; Mr John D'Arco, an Illinois state senator for Chicago; Mr David Shields, a former senior Cook County judge, and Mr Pat DeLeo, a lawyer.

The maximum sentences would range from 205 years in jail and a $8.5m fine for Mr Marcy, to 43 years in prison and a $750,000 fine for Mr D'Arco. The accused deny the charges.

Mr Richard Thornburgh, US Attorney-General, and Mr William Sessions, FBI director, were on hand for announcement of the indictments. The former said the indictments so far do not refer to any connections to organised crime, but added: "Stay tuned."

Previous federal investigations of political corruption in Chicago have led to conviction of 14 city council members and 15 judges in the last 20 years.



On the first anniversary of the US intervention in Panama, young residents of Panama City light candles by a cross which bears the Spanish inscription "In memory of the fallen neighbours, 20 December, Chorrillo". This is the poor area of the city which suffered heavily as US forces attacked in order to overthrow and capture the Panamanian leader General Manuel Antonio Noriega

EC reaches for closer ties with Latin America

By John Wyles in Rome

EUROPEAN Community foreign ministers and their counterparts from the Rio Group of Latin American countries yesterday signed a declaration designed to lead to closer political and economic ties.

Conceived by the Italian presidency of the EC as a way to affirm Europe's intent to give a higher priority to relations with Latin America, the Declaration of Rome aims to create a more regular series of political contacts and deeper co-operation in trade, economic development and science and technology.

The declaration was signed by the 12 EC ministers and their counterparts from Mexico, Argentina, Brazil, Chile, Venezuela, Paraguay, Uruguay, Bolivia and Ecuador.

On the political front, the document aims for consultation mechanisms on the problems of drug-trafficking and terrorism, and at regular ministerial meetings.

Also, the two sides pledge to maintain an open trading system and to make every effort to bring the Uruguay Round trade talks to a successful end.

The Latin American delegations, all from countries struggling under the burden of big foreign debts, urged EC representatives not to forget them as the demand for aid from eastern Europe and the Soviet Union becomes more pressing.

Peru and IMF open way for new loans

PERU and the International Monetary Fund have agreed on broad guidelines for economic reforms, clearing the way for new loans, said Mr Juan Carlos Hurtado Miller, Prime and Finance Minister, Reuter reports from Washington.

"We have reached an understanding on all points" of President Alberto Fujimori's severe austerity package, Mr Hurtado Miller said late on Wednesday.

The IMF, the Inter-American Development Bank and the World Bank have all expressed "broad agreement" with Mr Fujimori's plans to turn Peru's economy around, financial sources said.

In Lima, the president called the agreement an important step for his country's future. "This is an important step to improve Peru's international financial ties," Mr Fujimori said. He added that the IMF had shown total support of the government's global economic strategy in its struggle to cut four-digit inflation.

Peru now hopes the US Japan and some European and Latin American coutries will provide low-interest loans and grants for some $2.5bn over the next year.

The loans and grants would cover a balance-of-payments gap and clear interest arrears that piled up during President Alan Garcia's administration.

The tax that could sink Mulroney

Canada's hated GST starts on New Year's Eve, writes **Bernard Simon**

MANY Canadians' New Year celebrations could end on a sour note in the early hours of January 1 if they are eating or drinking out: an extra 7 per cent may well be tagged to their bills.

Thus will they get their first taste of the Goods and Services Tax, the sweeping value-added tax which comes into force on New Year's Day after more than two years of acrimonious debate.

The GST is among the chief causes of the abysmal level of support – 15 per cent, according to recent opinion polls – for Prime Minister Brian Mulroney's Conservative government. Its year-long passage through the House of Commons and the Senate was marked by some of the ugliest behaviour seen on Parliament Hill in Ottawa.

Despite its unpopularity with the public at large, the GST is hailed by most sections of the business community and by tax experts as a milestone in improving the efficiency of the tax system. The Paris-based industrialised-countries grouping, the Organisation for Economic Co-operation and Development, concluded earlier this year that the GST and other tax reforms in place since 1987 would eliminate many distortions, better protect the real after-tax income of the poor, and strengthen Canadian companies' international competitiveness.

The reforms have reduced and simplified personal taxes, broadened the corporate tax base (with the proportion of companies' taxable financial statement income rising from 72 per cent to 84 per cent), and raised the dependence on indirect taxation. The shift to indirect taxation would have been greater had the government not tried to mollify GST critics a year ago by cutting the proposed rate from 9 per cent to 7 per cent.

In particular, the GST will replace a 13.5 per cent manufacturers sales tax (MST), which applied to only about one-third of goods and services. This was difficult to administer and favoured imports at the expense of exports.

The GST, nicknamed the Gouge and Screw Tax, will apply to almost all goods and services. Some transactions are exempted, notably residential rents and most financial services. Others, such as exports, basic groceries and medicines, will be "zero-rated" – vendors need not charge the tax but will be allowed to claim tax credits on their inputs.

Mr Sam Slutsky, a tax lawyer with the Toronto firm Cassels Brock & Blackwell, says that many foreign companies which do business in Canada would be well advised to register as GST vendors. Doing so may enable them to claim tax credits on some of their local business costs, such as postage.

Mr Slutsky notes that the replacement of the MST by the lower GST will give many locally-produced items the edge over imports. The price of a new domestic car, for instance, is expected to drop by 3-6 per cent on January 1.

The big unanswered question is what impact the GST will have on prices. The department of finance has estimated a one-off jump of about 1.25 percentage points in the inflation rate which, largely as a result of higher fuel prices, has recently accelerated to an annualised rate of 5 per cent.

When this estimate was first made a year ago, it was greeted with wide disbelief. Many trade unions have demanded compensatory wage increases of up to the full 7 per cent in contract negotiations this year, and several have succeeded in winning a measure of protection from the GST.

But with the Canadian economy now in a full-fledged recession, Mr Eric Owen, taxation director of the Canadian Manufacturers Association says that the government's estimate "may turn out to be a very realistic figure".

Many companies are insisting that suppliers spell out in detail the reasons for any price increases on January 1.

Mulroney: unpopular move

According to Mr Owen, big retailers – and especially mail-order companies – are demanding that manufacturers cut prices by the difference between the outgoing MST and the GST.

The biggest problem in administering the GST is that Canada, alone among industrial countries, will have a federal value-added tax which is not integrated with retail taxes levied by other levels of government. Nine of the 10 provinces (the exception is oil-rich Alberta) have retail sales taxes ranging from 6 per cent in British Columbia to 12 per cent in Newfoundland.

Only Quebec and Newfoundland has so far agreed to harmonise its provincial sales tax with the GST. But others are expected to follow suit once the public outcry over the new tax dies down and the confusion becomes apparent of having two separate taxes at the cash register.

A considerable degree of confusion is likely in any case over the next few months, given that many businesses and consumers were unsure whether the government would bow to the anti-GST protests. When the enabling legislation became law in mid-December, only just more than half the businesses required to collect the tax had registered.

The government has quietly put out the word that it will be lenient in enforcing the tax in the first few months: the revellers who start their meals and drinks on New Year's Eve are unlikely to be penalised if they object to paying an extra 7 per cent after midnight.

Chile army protest subsides

A PROTEST by Chilean army officers supporting General Augusto Pinochet, the former president, has ended without political consequences, Mr Patricio Rojas, Chilean Defence Minister, said yesterday, Reuter reports from Santiago.

The Chilean army ordered troops late on Wednesday to report to their bases, in a move to resist pressures on the general to resign as commander-in-chief of the army, a post he kept after he had handed the presidency to an elected civilian in March.

"It was an army exercise," Mr Rojas said. "Activities have returned to normal in all units. There has been no alteration of the constitutional order or of the armed forces' constitutional role."

Government officials said the decision to cancel leave and put all soldiers on duty was a ploy by hard-liners to shore up dwindling army support for Gen Pinochet.

The Catholic University television station, quoting army sources, said the move was a protest against a request by Mr Rojas for the general to quit. The minister categorically denied that the government had asked him to retire.

Pressure for the resignation has increased since the recent discovery of a loan syndicate run by former secret police officers inside the army. The scandal forced him to put two senior generals into retirement and dismiss 16 other officers last month. The syndicate is being probed for an alleged breach of banking laws.

This morning it was -3°.

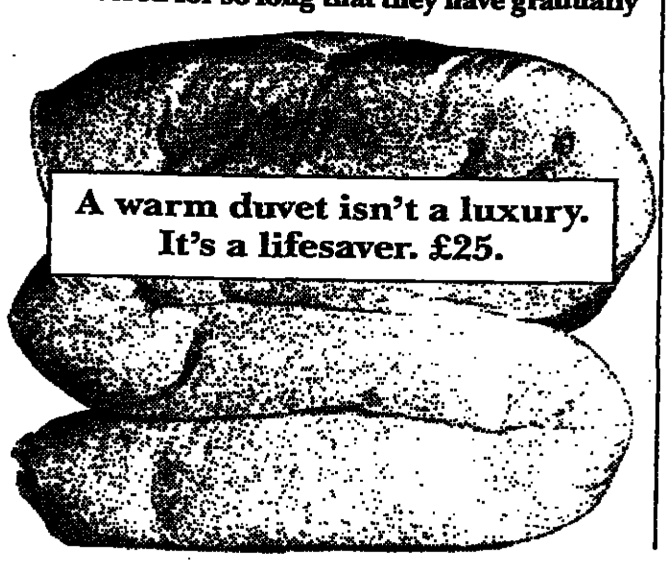
If you were cold, think what waking up in a Romanian orphanage feels like.

It's 6 am, and Orphanage No.4 is slowly waking up. Four hundred children under the age of three begin to stretch and shiver.

It was a good night. Nobody died.

At this hour, the main difference you notice between these children and your own is their silence. There are no yells or gurgles, no demands to be fed.

It's not because the children are well behaved. It's because their cries have gone unanswered for so long that they have gradually lost the ability to cry.



A warm duvet isn't a luxury. It's a lifesaver. £25.

The other thing you notice is the cold. It was below freezing in England last night: here in Bucharest, it's up to ten degrees colder.

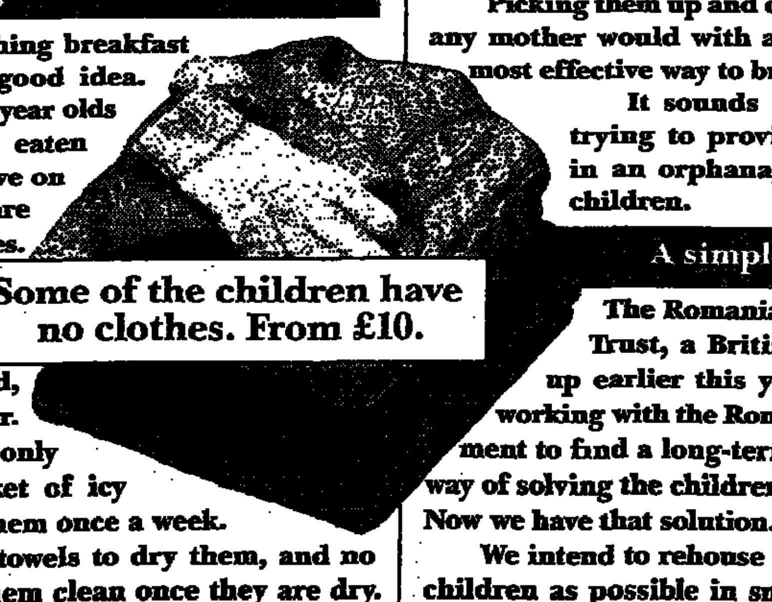
And in Orphanage No. 4, minus fifteen on the outside means minus fifteen on the inside. There is no heating.

Curtains might help. Having glass in all the windows would help even more.

A thick duvet or bedclothes would keep out some of the cold, but many of these children aren't even wearing shirts.

Dying like the flies.

A hot, nourishing breakfast would also be a good idea. But even the three year olds here have never eaten solids. They survive on cold slops. There are no cooking facilities.



Some of the children have no clothes. From £10.

A hot bath? Forget it. There is no running water in this ward, not even cold water.

The children's only hygiene is a bucket of icy water flung over them once a week.

There are no towels to dry them, and no nappies to keep them clean once they are dry.

At least the cold has killed the millions of flies which feed off the children's filth and sores all the rest of the year.

But as the long, hard winter predicted by the weathermen becomes a reality, it isn't only the flies that are dying.

Already pneumonia, dysentery and simple hypothermia are carrying off 200 children a week.

They're not dreaming of a white Christmas here. They're dreading it.

Don't let the winter win.

Heating will stop children dying of hypothermia. £46.

The good news is that orphanages like No.4 are becoming the exception rather than the rule. Western aid has already helped around a quarter of Romania's six hundred or so orphanages.

The bad news is that much, much more remains to be done.

Shipments of food, nappies, toys and medicines have undoubtedly saved many children who would otherwise not have seen this winter.

It would be a tragedy if the harsh weather were allowed to claim them now, after so much has been done.

And it would be an even worse tragedy to keep the children alive through the winter, if all they were being kept alive for was a lifetime in an institution.

Frozen bodies, frozen minds.

It's not just the children's bodies that are cold.

Newborn babies learn by mimicking the behaviour of adults. Without adult company, the children in the orphanages have never learnt to play, or sit on a toilet, or talk.

As a result, their minds are in a state of emotional deep-freeze. There are two year olds with a mental age of two months.

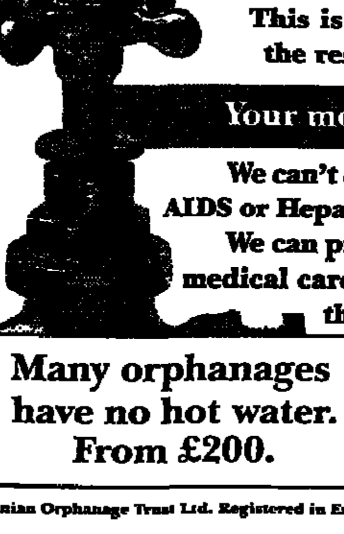
Picking them up and cuddling them, just as any mother would with a normal baby, is the most effective way to bring them back to life.

It sounds simple. But imagine trying to provide this sort of care in an orphanage containing 1,000 children.

A simple solution.

The Romanian Orphanage Trust, a British charity set up earlier this year, has been working with the Romanian government to find a long-term, cost-effective way of solving the children's predicament. Now we have that solution.

We intend to rehouse as many of the children as possible in small, purpose-built houses, a few children to each house. They will have beds instead of iron cots. Toilets and nappies instead of urine-soaked rags. Baths instead of buckets of icy water.



Many orphanages have no hot water. From £200.

There will be windows with glass in them. Books and toys to provide stimulation. Central heating and hot water, instead of unheated wards.

Carefully chosen Romanian houseparents will ensure that the children get cuddles and affection as well as proper care.

Where possible, they'll even go to normal schools.

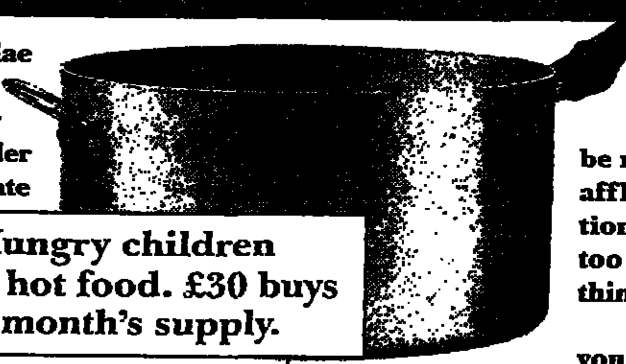
The building sites will be provided free by the Romanian government, who are endorsing this appeal.

It costs just £2,000 per child to build a house for four children and two houseparents. (Examples can be seen on Blue Peter during the current Bring & Buy.)

A choice of evils.

It is particularly appropriate that the Housing Appeal should be launched now.

It was exactly one year ago that the 'December Revolution' revealed the secrets of Romania's orphanages.



Hungry children need hot food. £30 buys a month's supply.

It emerged that Nicolae Ceausescu, Romania's dictator, had passed a law requiring all women under forty-five to bear the state five children.

This appalling infringement of the nation's human rights was compounded by further laws stripping the peasants of their smallholdings. Herded into vast clusters of apartment blocks little better than labour camps, millions of people started to go short of food.

As their families got bigger and bigger, and supplies got scarcer, each parent was faced with a stark choice of evils.

Let your whole family starve, or give up one or two babies to be raised in the orphanages.

To call these children 'orphans' was a convenient political euphemism. Their parents are not dead. Like the children themselves, they were the victims of a totalitarian regime.

This is a man-made disaster. Given the resources, man can put it right.

Your money or their life.

We can't do much for the children with AIDS or Hepatitis B, of course.

We can prolong their lives with proper medical care, and we can make sure that the use of dirty vaccine needles does not recur.

Many thousands of children have been driven mad by the conditions in which they were kept. These too will have to stay in institutions, although the institutions themselves must be radically improved.

That still leaves in the region of 100,000 children.

Some are ill but curable, some have been wrongly placed in mental institutions, and some are simply lying in their cots, waiting for something to be done.

These are the children for whom we want to build houses.

With proper care, the affection of adults, and the chance to go to school, there is no reason why they should not grow into normal, healthy human beings.

£25 buys their future.

A project like this, and on such a huge scale, has never been tried before.

It will cost money, and the money has to come from you.

The Romanians are doing everything they can, but like every Eastern Bloc country they are desperately poor.

What has happened to the children of the orphanages so far is one of the worst horrors of a horrific century.

Only one thing could be more horrific: if we, the affluent West, had the solution in our hands but were too cold-hearted to do anything about it.

Please send as much as you can afford. If you can spare time as well as money, organise a fund-raising appeal at your place of work.

A Ninja Turtle toy costs around £25. The same amount funds one day of a building project that will give a child a future.

I wish to make a donation of £70 £50 £25 £10 other ________ Cheque/credit card. Please send to: The Romanian Orphanage Trust, P.O. Box 30, Edinburgh EH3 5QG. You can also make a credit card donation on 031-552 0131.

Access/Visa No. ________

Expiry Date ________

Name ________

Address ________

________ Postcode ________

THE ROMANIAN ORPHANAGE TRUST

HOUSING APPEAL

FT 21 12

THE LEVITT GROUP

Police, SFO question insurers

By Sara Webb

THE Metropolitan Police and Serious Fraud Office are to question senior managers at four of the big institutional investors in the Levitt Group, the financial services group which went into liquidation last week.

The institutions are insurers Legal & General, Commercial Union, and General Accident, and Chase Manhattan Bank, which each hold 4.9 per cent stakes in the failed group.

The investigators will be questioning the insurance companies about the levels of commission which they paid to the Levitt Group for selling their policies and whether they received commission back on policies that were cancelled.

Chase Manhattan lent money to Mr Roger Levitt, founder and former chairman and chief executive of the group, in order to help him buy back a block of Levitt shares for £16m at the beginning of 1990.

The joint police and SFO investigation into the collapse of Levitt has uncovered losses among clients of several million pounds.

About 20 clients who had their money managed by Levitt are understood to have lost between £20,000 and £2m each.

Mr Roger Levitt, founder and former chairman and chief executive of Levitt Group, was charged last Friday with stealing £665,000 from two clients.

Clay & Partners, the consulting actuaries who had a business relationship with the group until 1986, have been co-operating with police in their inquiries.

Four years ago, the firm notified the Government Actuary's Department, which is controlled by the Treasury and advises the Department of Trade and Industry, that it had noticed irregularities in documentation provided by the Levitt Group and were aware that Levitt clients were being advised to buy high-commission pension products rather than low-commission products.

On December 11 this year when Levitt's shareholders were summoned to decide on the future of the company, they were told for the first time by Mr Frederick Tucker, the group's new chief executive, that circumstantial evidence of limited fraud had been discovered.

The shareholders agreed that the company should go into liquidation as it could not be run as a viable business, and the police and SFO were called in to investigate.

The police and SFO are looking at losses thought to have been incurred by about 20 wealthy clients.

These include Mr Frederick Forsyth, the best-selling international author who wrote both Day of the Jackal and The Dogs of War among other titles.

Mr Paul Parker, the England international footballer, may also have lost some money. Mr Parker said that he did not invest his money with Levitt Group but was owed money by the group's sports and entertainment subsidiary which manages sponsorship deals and sporting appearances for various sports personalities. Mr Parker said the money was "for a commercial deal" advertising products, but maintained earlier this week "I believe my money is intact."

KPMG Peat Marwick McLintock, who are acting as liquidators for the Levitt Group, are trying to organise the transfer of sports personalities' contracts from Levitt Sports and Entertainment to other managers.

Mr Levitt was arrested last Thursday (December 13) at his North London home – on the day originally scheduled for Levitt Group's Christmas party – and questioned by the Metropolitan Police and SFO.

ERM: dealing with the unthinkable

Peter Marsh on crucial strategy options at the Bank of England

OFFICIALS at the Bank of England yesterday were getting ready to think the unthinkable. They were reviewing what they should do should the pound slip close enough to its floor in the European Exchange Rate Mechanism to force intervention to increase its value.

The mood in Threadneedle Street was calm. "There is no red alert," said one official. Nonetheless, the pound has been weak in recent weeks against the other currencies in the mechanism, particularly against a strong D-Mark.

On Wednesday night, sterling closed within 3 pfennigs of its effective ERM floor of about DM2.83 – its lowest point since Britain joined the mechanism on October 8. Yesterday the pound strengthened, closing at DM2.8625.

Under the rules of the ERM, Britain would have to act to boost the pound should it show signs of slipping to the floor. This would probably be done in collaboration with the other 11 member countries of the European Monetary System.

The Bank of England would use official reserves to intervene in currency markets to buy sterling, reversing its fall.

Officials believe that the natural forces of the foreign exchange markets would also act as a brake. Unless confidence in the UK economy was at rock bottom – which the UK authorities believe is far from the case – foreign exchange dealers would be likely to buy sterling at what might seem bargain prices as its value declined.

Should these actions fail to lift the pound, Bank officials, together with their counterparts at the Treasury, would have to consider two more drastic remedies.

They could increase interest rates to increase the attraction of the pound to the foreign-exchange markets – a course of action violently against the pressure for an easing in borrowing conditions to restore growth to the battered UK economy. Speculation in financial markets about a possible cut in the 14 per cent base rate has been one of the factors responsible for sterling's recent weakness.

Alternatively, the UK monetary authorities could press for a devaluation of sterling within the ERM grid. That would be embarrassing politically, given the short time that the pound has been in the mechanism.

The two key players in the manoeuvers are Mr Ian Plenderlieth, head of market operations at the Bank, and Mr Michael Scholar, who is in charge of UK monetary policy at the Treasury.

Using a special telephone hotline between Threadneedle Street and Whitehall, the two men talk several times a day about the strength of sterling and what actions might be needed to adjust its value.

Mr Plenderlieth is also in touch with the 50 or so people who work in the Bank's main dealing room, which monitors events on the world's foreign-exchange markets, buying or selling where necessary.

Other Bank officials talk about three times a day in regular telephone "conference calls" with their counterparts in other European central banks to discuss joint actions. These conversations are conducted in English, even though some have jokingly pointed out that the Bundesbank, the dominant central bank within the ERM structure, could some day suggest that everyone speaks German.

Mr Plenderlieth and about six other top officials at the Bank are equipped with small, portable computers linked by radio waves to central dealing rooms so that they can monitor the pound 24 hours a day.

At the moment, Mr Plenderlieth and his colleagues probably feel obliged to consult their electronic gadgets even in the middle of the night. Given sterling's weakness and the fact that that many analysts believe this is likely to continue until well into the New Year, the Bank officials face several more weeks of disrupted sleep.

BRITAIN IN BRIEF

Export curbs on chemicals tightened

The government yesterday tightened its controls on exports of industrial chemicals capable of being used in the manufacture of chemical weapons.

In what was seen by industry as a response to concern over chemical weapons provoked by the Gulf crisis, the government said it had placed 15 additional chemicals on the list of those subject to export licensing requirements.

A total of 37 chemicals are now regulated in this way.

Mr Tim Sainsbury, trade minister, also announced that a licence will be required to export goods which the exporter knows, or has grounds for suspecting, may be for use in the production, storage, handling, detection or identification of chemical or biological weapons.

Fresh evidence on recession

A FURTHER slowdown in the amount of money in the economy has provided fresh evidence about the depth of the recession.

Yesterday's figures from the Bank of England are likely to aid the government's battle against inflation.

They will also lead to more financial pressure on retailers and other trading groups which are suffering from the reductions in consumer spending.

Last month M0 fell by 0.5 per cent on a seasonally adjusted basis from October.

That gave a year-on-year increase for this indicator of 3.1 per cent compared with 4 per cent in the previous month.

Scottish MPs envisage senate

A SCOTTISH Tory MP yesterday proposed an indirectly elected senate as part of a sweeping reform of local government in Scotland.

The proposal, from Mr Bill Walker, MP for Tayside North, who has been associated with the Thatcherite wing of the Scottish party, is the first public statement in recent years among Scots Tories of interest in creating some form of Scottish Assembly.

The Scottish Office said that ministers regarded reports of Mr Walker's scheme as "a contribution to the debate on the Government of Scotland".

Cigarette price increase urged

Tax increases of 32p on a packet of 20 cigarettes in next year's Budget were demanded yesterday by the British Medical Association and a group of health promotion bodies.

The group said price was the single most important factor in determining the general level of cigarette consumption; the extra 32p was needed to bring the real price of cigarettes back to their September 1987, level.

An increase of 32p would, say the campaigners, reduce national cigarette consumption by 7-8 per cent – and eventually lead to a reduction in the estimated 115,000 tobacco related deaths in Britain by between 7,000 and 8,000 a year.

IOM inquiry criticised

The Attorney-General and the police in the Isle of Man are criticised for lack of decision and action during the aftermath of the collapse of the Savings and Investment Bank.

In a report published yesterday, Mr Anthony May QC, Commissioner to the Inquiry investigating steps taken following the bank's collapse, said activity generated in June, 1983 by the Inspector's interim report just petered out. He said there was no positive decision either to curtail or pursue police investigations and "this indicates a lack of controlling strategy by the Attorney-General and a lack of action by the police."

Savings and Investment Bank collapsed in the Isle of Man in June, 1982. It left £42m debts and many small depositors lost their life savings.

Car exports lift production

Surging exports lifted UK car production in November to its highest monthly level since 1974, as the first significant export programmes by Vauxhall and Ford for more than a decade gathered momentum.

Output of cars for export jumped by 104.5 per cent compared with the previous November, more than offsetting a fall in production for the heavily-depressed UK market, where new car sales currently are running 20 per cent below 1989 levels.

Hoover loses patent case

Hoover, the US-owned home appliances group, infringed a UK competitor's patent in producing cleaning heads for its Aquamaster vacuum cleaner, the Patents Court has ruled.

Hoover will have to pay damages, to be assessed later, to Vax Appliances. Vax, based at Droitwich in Worcestershire, estimated that Hoover produced at least 200,000 of the units.

Unless altered on appeal, the findings mean it is an infringement for anyone to sell the Aquamaster fitting with cleaning heads made before 1990, when a new head – distinguishable by a blue insert – was introduced.

Thatcher list pro-business

Mrs Margaret Thatcher's much-awaited resignation honours list is published with plentiful bounty for Tory businessmen and precious little for seekers after scandal.

The 43 names that enjoy the outgoing prime minister's personal thank-you presents to her most loyal supporters range from Tory grandees like Sir Hector Laing of United Biscuits to Mrs Edwina Booker, the daily help in the Downing Street flat.

Sir Hector assumes the ermine of a life peerage while Mrs Booker is awarded the more modest glory of the British Empire Medal. Mrs Thatcher's two most controversial aides – Mr Bernard Ingham, her chief press secretary, and Mr Charles Powell, her foreign affairs private secretary – are knighted.

The honours – the first "pure" resignation awards since Mr Harold (now Lord) Wilson's mid-term departure – are as soundly respectable as the famous "lavender list" was sensational.

Nadir raises £2m bail

Lawyers for Mr Asil Nadir, the chairman of Polly Peck International, yesterday finally raised the £2m cash deposit needed to secure his release from London's Wormwood Scrubs prison on bail leaving by a side entrance to avoid the crowd.

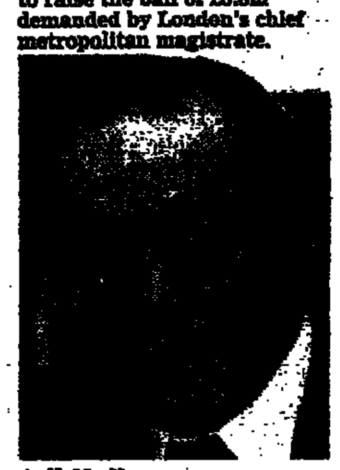
Two hours earlier, Bow Street magistrates court had received an authorised certificate from Vizards, one of the two London firms of solicitors acting for Mr Nadir, stating that it had the £2m. A release notice was faxed by the court to the prison governor at 1.38pm.

The solicitors would not disclose the source of the £2m or comment on reports that it had come from Turkey.

On Wednesday, the Turkish foreign ministry said the government approved attempts by unnamed Turkish banks to raise the money.

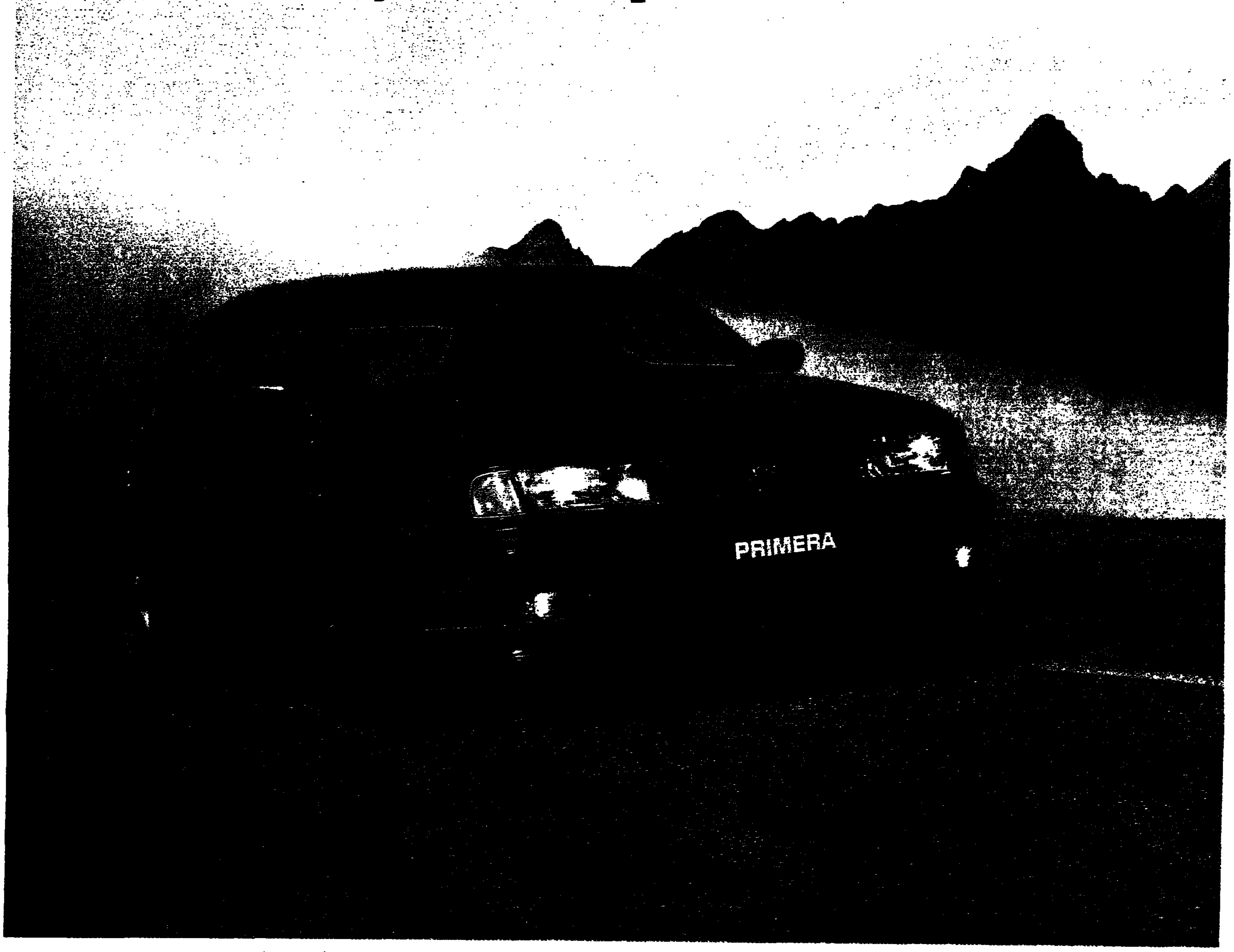
On Monday, he appeared in court on 14 charges alleging the theft of about £25m from PPI and a subsidiary, and four of false accounting.

He was unable immediately to raise the bail of £3.5m demanded by London's chief metropolitan magistrate.



Asil Nadir

Nissan Primera. Compare this to what you call performance.



Nissan announces the Primera.

A car that has spent the past several years as the centre of attention of test tracks, windtunnels and test teams across Europe.

A car that was in fact built for only one, much more important, test.

You are that test (in fact you could say, the Primera was built to be compared).

Let's start with the engine compartment and take the Primera's performance as an example.

Firstly you notice that every gasoline powered Primera model is equipped with a 16 valve DOHC engine designed to take up less space and deliver more power.

This means we can offer you the following numbers for comparison.

The Multi Point Injection 2.0E engine: 150 hp and a top of 220 km/hr. The Single Point Injection 2.0i engine: 115 hp and a top of 200 km/hr.

The completely new Multi Link Front Suspension system ensures incomparable roadholding, on byways and highways, be they pebbly or asphalt smooth.

The sophisticated aerodynamic exterior design contributes to a low cd-value and a high resistance to side-winds.

However, the Primera was not created merely as a technical advancement over other cars. Its comfort, its styling, its quality- all are designed to stand up to your scrutiny.

As you realise as you take a close look at its interior.

And as soon as you sit back and think about the bumper-to-bumper 3 year warranty we give you.

And your comparison is not only true for the four door sedan but also for the five door hatchback and station wagon.

There now seems to be only one question left unanswered: when would you like to compare the Primera?

NISSAN

Nissan Primera.
The new performance car for a country called Europe.

THIS MODEL IS A NISSAN PRIMERA GT. ALL SPECIFICATIONS MENTIONED ARE BASED ON THE MODEL SHOWN AND SUBJECT TO POSSIBLE CHANGES.

The proof of the pudding

A highly unconventional style has so far stood Semco of Brazil in good stead. **Christina Lamb** reports

Most company presidents would be more than a little perturbed if they returned from a trip to discover their desks had been moved to another building by employees. Yet Ricardo Semler, to whom this has happened twice, was recently elected Brazil's leading businessman.

Semler revels in being unconventional. He believes it is his unconventional management practices that enabled him to rescue his family machine manufacturing company, Semco, from the verge of bankruptcy after he took it over, and will now help him to weather Brazil's deepening recession in which the capital goods sector has been hardest hit.

Walking into the Semco offices in Sao Paulo is a disconcerting experience; housed in a collection of grubby buildings near a cemetery, the desks – although reassuringly stationary – were mostly empty and surrounded by lots of large potted ferns where normally filing cabinets and secretaries would be.

This is not the kind of set-up one expects from the man whom the national press has dubbed Brazil's Akio Morita (of Sony). However, the clear desks are apparently less a reflection of lack of work than of the importance Semler places on waste-paper baskets as one of the most undervalued office tools. The absence of secretaries and office boys which, in bureaucratic Brazil, are so much part of life, is intended to stop employees filing things.

Semler appears, produces coffee, and starts speaking. Workers at Semco set their own hours and salaries; he explains as a man walks past with an office fixture. They fill in their own business cards and generally get on with the job without executive authority. So much so that Semler has been out-voted by employees on the acquisition of a company he wanted.

Semler's irrepressible desire to do things differently and let everyone know about it in his frequent media appearances may jar, but it seems to work. While it is hard to imagine Akio Morita or Lee Iacocca (of Chrysler) slipping off from the office for 90 days to retrace the trail of Marco Polo, dodging Soviet rocket fire with Afghan mujaheddin in Kandahar, there are similarities.

Taking over his father's business in 1980 when it was barely keeping solvent with sales of $4m, Semler had by 1988 turned it into one of Brazil's fastest growing companies, with sales in 1988 of $37m. The autobiography he wrote at 28 explaining how he discarded conventional management textbooks to achieve this is now in its 24th edition and has been in the country's best-seller list for nine months.

Semler explains: "Running an industry in Brazil is a very empirical process. As we were industrialised much later than the first world, principles are less engrained and we have the potential for doing things differently. In my company we have introduced some things such as profit-sharing and a lean management structure common in the first world but not in Brazil, as well as others not common in either, such as doing away with salary structures."

His philosophy was simple: "I couldn't see why people should work in such an oppressive environment with so much paperwork and rules. So I started trying things out bit by bit. First I asked – if we let people decide what time they'll come to work will they still come? They did, so I asked if they set their own salaries will they ask for too much? Then I said if I get rid of office boys and secretaries people will stop filing things which don't need to be filed and they did."

> 'The biggest hindrance in industry, particularly in Brazil, is the 'can't do' pyschology. People say 'oh, you can't do that' just because things have always been done the same way'
>
> **Ricardo Semler**

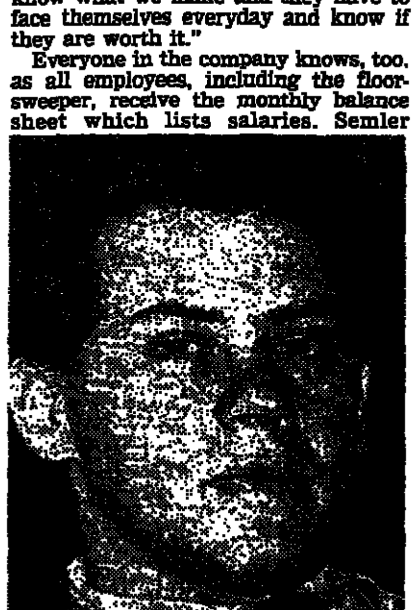
Semler admits he expected some of his innovations such as allowing factory workers to choose their own hours to result in chaos. "We appointed a team to sort out abuses and production stoppages that we thought might result but in four years the team has not had to meet once.

"The point was we were treating people like adults and they respected that. Outside the factory these are people who are making decisions everyday – why inside should they be treated like children having to clock in, wear badges and follow instructions unquestioningly? If the man knows the person next to him is essential for his work then he will arrange his hours with his colleague the night before or learn to do his job, too."

In an economy characterised by change it might seem that Semler was simply adding further elements of uncertainty. His latest attempt to throw out job descriptions is regarded with scepticism by competitors in the highly unionised sector as a direct challenge to Brazil's paternalistic system. But Semler insists: "The biggest hindrance in industry, particularly in Brazil, is the 'can't do' pyschology. People say 'oh, you can't do that' just because things have always been done the same way."

Following this line – and despite the fact that salaries in Brazil have been officially index-linked for the last 30 years – he lets those in leadership positions set their own salary (they are known as counsellors and partners rather than as directors and heads of departments). "Letting them write their own cheques might be risky but they know what we make and they have to face themselves everyday and know if they are worth it."

Everyone in the company knows, too, as all employees, including the floor-sweeper, receive the monthly balance sheet which lists salaries. Semler explains: "Confidential payrolls are for those who know they are not worth their salary. The productivity we're looking for comes from involvement. If employees have no understanding of the company's finances then they're missing an essential part of the puzzle."



He believes his profit-sharing scheme in which 22.6 per cent of profit is divided equally among all employees has helped improve productivity of $22,000 per employee to $72,000, compared with a Brazilian average of $31,000. Semco was aiming for $90,000 in 1991 which is close to that in Korea and Taiwan.

But the tight fiscal and monetary policy of President Collor's anti-inflationary plan introduced in March threatens to thwart these plans. The freeze on state and federal government spending as well as the recessionary effect of high interest rates on the private sector has reduced demand for capital goods by more than half, bringing some companies to a standstill. Indeed, orders this year for items such as Semco's marine pumps and industrial dishwashers and contracts to build biscuit factories may be more than 50 per cent down. Last year had already been a bad one for the industry and Semco revenues in 1989 fell to $30.4m from $37m.

Semler admits President Collor's fiscal spending cuts and freezing of 80 per cent of the country's assets had an immediate effect. For the first three months Semco did not receive a single payment. The company laid off 80 people and staff took a 40 per cent reduction in wages for three months, an idea actually proposed by shop-stewards. "Because of that we're in a zero loan situation today, otherwise we too would be in trouble," says Semler, adding, "but they did it because they knew exactly the company's financial situation."

He believes it was the attention he gave to management and participation that is standing his company in good stead now. "Over the last ten years of hyper-inflation, while others were concentrating on making a quick buck through financial speculation, we were concentrating on efficiency and building up our core business. Our business is buying and selling – not playing the stock market."

Virtually all Brazilian companies would list their finance director as the single most important employee but Semco does not even have one.

Semler says: "Perhaps this is why we're surviving despite being in the worst hit sector while companies like Pao de Acucar [Brazil's largest private sector group] are suddenly in financial straits."

With his core business under pressure, Semler's strategy now is to diversify. He has already set up five new companies in the last two months in service sectors such as industrial maintenance and environmental clean-up and is once more beating on the corporate doors for contracts.

A major problem is working capital. He says: "I'd like to see first world companies surviving with real interest rates of 210 per cent per annum." Ironically for one who seems to embody the new Brazil that Collor is aiming for Semler has become the administration's most outspoken critic, largely because of these interest rates.

A recent Semler attack provoked a war of words between the old-style capitalists and new-style government with the upstart Semler for once on the side of the dinosaurs. He explains: "We need modern forward thinking but we need to see it practised from our biggest businessman and that's Collor. He is taking dramatic measures which are having no dramatic results."

However, Semler remains confident. "Change is the only permanent thing Brazil has to offer. Once you accept that you can relax. In 1985, for example, we acquired four companies and were growing at 80 per cent a year when overnight it all came to a halt with the Cruzado Plan in 1986. Having survived three economic plans I've no doubt we will survive the fourth but it all comes from not doing the same thing twice."

Corporate governance

Where the power lies

Simon Holberton explores the shifting balance among executive and non-executive directors at SmithKline Beecham

Corporate governance is one of the themes of the 1990s that is growing in intensity. With the boardroom high-fliers of the 1980s increasingly being shown to be no more than an Icarus, investors will rate companies by the degree of transparency of decision-making at the highest level.

Transparency in this context means, at the very least, ensuring a proper balance between the interests of the managers and the owners. This can be achieved most visibly by having more independent directors than executive directors in the boardroom.

The board changes announced last week by SmithKline Beecham, the Anglo-American health care multinational, underline the hard thinking that Henry Wendt, SB's chairman, and Bob Bauman, its chief executive officer, have done about the governance of SB.

The merger of SmithKline of the US with Beecham of the UK in July 1989 created a multinational drugs company with sales from continuing operations of nearly £4.3bn. These are derived from activities in pharmaceuticals, animal health, consumer brands and clinical laboratories.

At the time of the merger, SB's board consisted of 20 members. The composition of the board had all the appearance of a Solomon-like judgment: 10 directors from each of the merging companies, 10 executive and non-executive directors, 10 Englishmen and 10 Americans.

"There was nothing wrong with 10/10," says Wendt. "It was a good way to start. But we thought that 20 was too large and that a smaller board of 15-17 was about right."

Wendt also had other items on his agenda. SB is a transnational company and Wendt thinks the board should reflect that cultural diversity. More controversially, he also believes that non-executive directors should be in the majority.

The changes to SB's board mean that from January 1 next year, there will be 16 members of the board, nine of whom are non-executives and six of whom are executives. This has meant that three executive directors of SB have had to relinquish their board posts. Two non-executive directors have departed and have been replaced by one.

As a move towards altering the Anglo-American nature of the board, Alain Gomez, chairman and chief executive of Thomson SA, the French electronics and defence equipment manufacturer, has been appointed. The only other non-native English speaker is Jan Leschly, chairman of SB's pharmaceuticals division, who is a Dane.

Wendt plans to push further the bias in favour of non-executives – he would like to see non-executive directors comprising two-thirds of total board numbers – and to increase the multicultural nature of the board in line with where it does business. The geographical spread of SB's sales is 40 per cent US, 40 per cent Europe and 20 per cent the rest of the world, mostly Japan.

A penetrating interrogation

But playing with numbers and nationalities could be seen as just cosmetic. The non-executive directors need to have responsibility and a clearly defined role in monitoring management. To this end, the structure Wendt and Bauman are setting up does appear to be designed to put management on its mettle.

Wendt says he wants the non-executive directors to conduct a "penetrating interrogation of management". Bauman emphasises the role of the board in monitoring management's performance. Both are aware that by placing the executives in the minority the non-executives have been given a lot of potential power to change management.

"The litmus test for them is accountability," says Wendt. "The non-executive directors should look at performance and how we accomplish it," adds Bauman. Says Wendt: "Their most important role is to ensure that the proper management is in place. If they were in a minority that would be difficult to do."

SB's directors meet six times a year. On five of those occasions they meet in conclave for a whole day, having supped the night before. On the sixth they meet for three days. All directors receive monthly management accounts.

With the new board structure Wendt also wants non-executive directors to specialise in parts of the business. They will focus their attention on one of SB's four core business activities for three years – they will be encouraged to make two or three visits a year to relevant SB operations – after which they will redirect their attention to another core activity.

"We don't expect them to be management, just conversant with the issues," says Wendt. "We also want them to get to know the senior management, because one of their key roles will be succession management."

The non-executives also have other responsibilities. SB's remuneration and audit committees are chaired by the company's two vice-chairmen, both non-executives, and membership of both is restricted to non-executive directors. Wendt says he liaised closely with the non-executive directors over the appointment of Gomez.

Wendt says he had never met Gomez before he was invited to join the board. SB had employed an executive search agency to find an appropriate executive. It worked to a specification drawn up by Wendt and agreed by the non-executive directors, especially the vice-chairmen. "We saw a lot of names and biographies before we settled on him."

SB is asking a lot of its non-executive directors. Less than full attendance at board meetings will not be good enough and, most intriguing of all, the performance of non-executive directors will be subject to approval as well.

Wendt says this has not been discussed fully by the board. But, he says, "just as management is appraised on an annual basis so too should be the performance of non-executive directors."

FT LAW REPORTS

Company cannot argue on petition

CANNIFORD v SMITH AND OTHERS
Chancery Division:
Mr Edward Nugee QC sitting as a deputy High Court judge:
November 6 1990

A COMPANY'S involvement in a minority shareholder's petition alleging unfair prejudice can be forbidden by the court if the petition arises out of a dispute between shareholders which does not affect the company, and if there is no justification for the company's incurring the expense of litigation.

Mr Edward Nugee QC sitting as a deputy High Court judge so held when granting injunctions to Mr Michael John Canniford, restraining the shareholders of two companies, Kent and Provincial Investment Co plc and Milgate Developments Ltd, from involving those companies in litigation arising out of minority shareholder petitions brought by Mr Canniford.

HIS LORDSHIP said that Mr Canniford was a minority shareholder in two companies.

He alleged they were quasi-partnerships and that since June 1989 he had been wrongfully excluded from participation in their businesses, and that their affairs were being conducted in a manner unfairly prejudicial to his interests as a member.

Mr Canniford petitioned under section 459 of the Companies Act 1985 for a order that his shareholdings in the two companies be purchased by one or more of the other shareholders or by the company. In the alternative he sought an order that the companies be wound up.

By the present motions he sought an order that individual shareholders should not, until after judgment on the petitions, cause or procure the companies to be represented on the hearing of the petitions or be otherwise involved, save in respect of any application under section 127 of the Insolvency Act 1986 [for disposition of company property in a winding-up by the court].

The ground for his application was that the dispute was, in substance, a dispute between individual shareholders, and that the companies' money should not be expended on disputes between shareholders.

In the case of the first company, Milgate Developments Ltd, the company had an issued share capital of 10,000 shares, 1,000 of which were held by Mr Canniford, 1,000 by Mr Peter Smith and the remaining 8,000 by the second company, Kent and Provincial Investments.

In the case of the second company, Mr Smith held the majority of the issued shares, probably more than 75 per cent; Mr Canniford had probably 15 per cent; Milgate Developments held 1,000; and Kent and Provincial Investments held the remainder.

Mr Collings for Mr Canniford was not able to refer to any case in which an injunction had been granted similar to that sought. There had however been cases in which the position of a company under a section 459 petition had been considered in somewhat analogous circumstances.

In *Re Kenyon Swansea [1987] BCLC 514* an application by the respondent shareholder, a Mr Mitchell, to strike out a petition presented by the only other shareholder, Mr Kenyon, was dismissed.

Mr Justice Vinelott said that directors were not entitled, at the company's expense, to take part in a dispute as to whether the shares should be compulsorily acquired by Mr Mitchell or the company. He said it was wrong that costs should be borne by the company and so indirectly as to three-quarters by Mr Kenyon.

The question was not argued and the decision as to how the costs incurred by the company should be borne was reserved. It was clear, however, that the judge considered that directors were not entitled to involve the company in the dispute between two shareholders, even though one of the possible outcomes of the dispute was that Mr Kenyon's shares would be compulsorily acquired by the company.

In *Re Crossmore Electrical and Civil Engineering [1989] BCLC 137* a section 459 petition was presented by the controlling director of the petitioning creditor in a creditor's petition. The company sought relief under section 127 of the Insolvency Act 1986 validating payments out of its bank account pending hearing of the creditors' petition.

Mr Justice Hoffmann said the company was nominal party to the section 459 petition, but in substance the dispute was between the two shareholders. He said "it is a general principle of company law that the company's money should not be expended on disputes between the shareholders."

In *ex parte Schwarcz [1989] BCLC 424* a section 459 petition was brought as a result of a dispute over the merits of a management buy-out. Mr Justice Hoffmann was asked to make a validation order under section 127 to take effect in the event of a winding-up order being made on the petitions; and to exclude the company's costs relating to the proposed buy-out, thereby making it clear that the company would not spend money on participating in the litigation.

In declining to exclude the company's costs, Mr Justice Hoffmann said the section 127 jurisdiction was designed for the protection of creditors. It should not be used where the company could pay all its debts so that no such protection was required.

He said he was being asked to use the 127 jurisdiction to give the petitioners what would amount to an interlocutory injunction restraining the company's board from dealing with its assets in a certain way on the ground that it would be a breach of their fiduciary duty.

He said if an application for such an injunction were made, the court would be concerned with the balance of convenience as between the parties, and it would be necessary for the petitioners to give a cross-undertaking in damages.

In the present case the court was being asked to do by the front door what Mr Justice Hoffmann was asked to do by the back door in *Schwarcz*, namely restrain the company's board, or more precisely its shareholders, from spending the company's money on participating in litigation between shareholders arising out of the two petitions.

Mr Collings said that *Schwarcz* was not simply a quasi-partnership case; that he did not need to rely on allegations of breach of fiduciary duty; that the relief he sought would not prevent the company from applying for a validation order under section 127; and that participating in the litigation in any other way would not be in the ordinary course of the companies' business since this was a dispute between shareholders.

In support of those decisions Mr Collings referred to Re Hydrosand, October 16 1990 in which Mr Justice Harman said the nature of a creditor's petition seeking the winding-up of a company was wholly different from the nature of the relief on a just and equitable petition by a shareholder.

He said that on the shareholder's petition "the wrongs claimed and the nature of the allegations are of wrongs by those in control of the company against a shareholder rather than by the company itself in any real sense".

Mr Brisby for the respondent shareholders and the companies, submitted that the companies were entitled to consider the evidence filed by the petitioner and if so advised, to file evidence themselves. The interest of the companies were not necessarily the same as those of the respondent shareholder; they had employees to consider and one of the alternative forms of relief sought by Mr Canniford was that Kent and Provincial should purchase his shares. As suggested by Mr Justice Hoffmann in *Schwarcz*, in considering whether to grant an injunction the court had to consider the balance of convenience and other matters referred to in *Cyanamid [1975] AC 396*.

There was nothing in the petition or the evidence filed by Mr Canniford which suggested there was any possibility of the companies being affected by the dispute between the shareholders to any greater extent than was the case in *Kenyon Swansea* or *Crossmore*.

On the evidence there was no possible justification for the companies' incurring further expense in taking part in the dispute. That being so they did not get over the first hurdle in *Cyanamid* of showing there was a serious question to be tried.

The relief sought by Mr Canniford was granted. The question of the companies' costs to the present date was reserved to the judge hearing the petition. Mr Canniford must give the usual undertaking in damages.

For Mr Canniford: MGB Collings (Charles Hunt & Co).
For the respondent shareholders: JCSMcB Brisby (Thomson Snell & Passmore).

Rachel Davies
Barrister

To the Holders of

Bearer Warrants (the "Warrants") to subscribe up to ¥17,196,000,000 for shares of common stock of

THE YOKOHAMA RUBBER COMPANY, LIMITED
(the "Company")

issued in conjunction with
U.S. $120,000,000
4¼ per cent. Guaranteed Notes 1993

NOTICE IS HEREBY GIVEN AS FOLLOWS:

The Company authorized by resolutions of its Board of Directors dated 27th November and 4th December, 1990 and made an issue of U.S.$150,000,000 4½ per cent. notes 1994 with warrants on 13th December, 1990. On 4th December, 1990, the initial subscription price per share in respect of such warrants was determined to be Yen 902 which was lower than the current market price per share of Yen 955.40 on such day as determined in accordance with Clause 3 (viii) of the Instrument dated 15th June, 1989 constituting the Warrants. The number of shares outstanding on 12th December, 1990 was 244,062,693. As a result, the following adjustment of the Subscription Price relating to the Warrants shall be made pursuant to Clause 3 (vii) of the Instrument:

1) Subscription Price before adjustment: Yen 1,302.00 per share
2) Subscription Price as adjusted: Yen 1,295.90 per share
3) Effective Date of adjustment: 14th December, 1990 (Japan time)

THE YOKOHAMA RUBBER COMPANY, LIMITED
By: Dai-Ichi Kangyo Trust Company of New York as Disbursement Agent

21st December, 1990

FREE STATE DEVELOPMENT AND INVESTMENT CORPORATION LIMITED
("Freddev" or "the Company")
(Registration No. 05/16931/06)
(Incorporated in the Republic of South Africa)

RESULTS OF THE RIGHTS OFFER BY FREDDEV TO ITS MEMBERS OF 2 831 669 PREFERENCE SHARES

1 323 159 preference shares were subscribed for in terms of the Freddev rights offer which closed on Friday 14 December 1990.

The remaining shares will be taken-up by the underwriters in terms of the underwriting agreement.

Share certificates will be posted on 21 December 1990.

Johannesburg
21 December 1990

ELM INTERNATIONAL LIMITED
13.5% Guaranteed Secured Notes Due 1992

NOTICE OF REDEMPTION

Pursuant to Section 3.03 of the Indenture dated as of January 31, 1990, holders of the ELM International Limited 13.5% Guaranteed Secured Notes Due 1992 (the "Notes") are hereby notified that all outstanding Notes will be redeemed on January 31, 1991 at a redemption price of 98.3434% of the principal amount thereof plus accrued interest through January 31, 1991, that interest in respect of the ELM International Limited 13.5% Guaranteed Secured Notes Due 1992 will cease to accrue on and after such date and that the conditions precedent to the right of ELM International Limited so to redeem the Notes as set forth therein have occured. Payment in respect of the Notes in bearer form will be made on January 31, 1991, in the case of accrued interest due on January 31, 1991, upon surrender of interest coupon number 2 in respect of such Note, and, in the case of the redemption price, upon surrender of such Note with all coupons appertaining thereto maturing after January 31, 1991, at the offices of either National Westminster Bank PLC, 20 Old Broad Street, Third Floor, Counter Section, London, EC2N 1HQ, England or Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, L-2955 Luxembourg.

UNITED STATES TRUST COMPANY OF NEW YORK, as Trustee

Dated 21, December 1990

BANCO DI NAPOLI

Subordinated Floating Rate Depositary Receipts due 1996

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the period from December 19, 1990 to June 19, 1991 has been fixed at 8.11563 % per annum.

The interest payable on June 19, 1991 will be US$ 410.29 on each Note of US$ 10,000 and US$ 4,102.90 on each note of US$ 100,000.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
AGENT BANK

The Republic of Italy
U.S.$500,000,000
Floating Rate Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 21 December, 1990 to 21 June, 1991 the Notes will carry an interest rate of 7.50% per annum. The interest payable on the relevant interest payment date, 21 June, 1991 will be US$379.17 per US$10,000 Note and US$9,479.17 per US$250,000 Note.

21 December, 1990

Istituto Bancario San Paolo di Torino, London as Agent Bank

CAIRN ENERGY PLC

US$20,000,000 CREDIT FACILITY
and
US$25,000,000 STANDBY FACILITY

arranged and provided by

BANK OF SCOTLAND
INTERNATIONAL DIVISION

HILL SAMUEL OVERSEAS FUND
SICAV
Luxembourg, 11, rue Aldringen
R.C. Luxembourg No B 8422

Dividend Notice

The Annual General Meeting of Shareholders held on December 14, 1990 declared a dividend of USD 0.35 per share class A payable on December 28, 1990 to shareholders on record on December 14, 1990 against surrender of coupon No 19, ex-dividend date being December 14, 1990.

Paying Agent: Kredietbank S.A. Luxembourgeoise
43, boulevard Royal, L-2955 Luxembourg

By order of the Board of Directors

THE PROPERTY MARKET

Festive spirit thin on the ground

By Vanessa Houlder

THE CAROL singers may insist that "'tis the season to be merry", but their message is falling on deaf ears where the property market is concerned. As receivership follows redundancy, the festive spirit has been decidedly thin on the ground.

Any hope for upliftment comes from the feeling that things cannot get much worse. Yields are at an all-time high and many property analysts (though by no means all) believe that prices will soon hit rock bottom. If investors can be persuaded of their case, it will provide some much-needed liquidity for the market and much-longed for relief for beleaguered developers and their banks.

If investors fail to be persuaded, it will not be for want of trying. Property companies, financial institutions and surveyors are about to unleash a plethora of funds to attract investors back to the property market. These vehicles – labelled "vulture", "recovery", or more coyly "growth" funds – aim to take advantage of the next upswing in the property cycle.

The grand total that these funds hope to raise is dauntingly large – and so promoters are busy differentiating their own fund and decrying their competitors'. None the less, promoters admit they are fishing in a limited pool, particularly as large investors are perfectly able to buy property for themselves.

"I would be surprised if the targets were met," says Mr Michael Hickey of Paribas, which is working on a £100m scheme with Touche Remnant. "It is not the easiest of things to sell in this market."

SPP's London Property Growth Fund is expecting most of its funds to come from Finland, Norway, Holland and France. Mr Andrew Huntley of Richard Ellis is not optimistic about prospects in the UK. "The UK funds are not interested in investing in their own backyard," he says. The US is an even less likely source of money. "Mention real estate and they go into paroxysms of fear," he says.

One fund that has succeeded in attracting US interest was launched earlier this month by Arlington Securities, Electra Kingsway and General Electric Investments of the US. They announced that they intended to commit at least £70m to a new property company and would be inviting other institutional investors to join them by investing up to a further £230m. This new venture has a broad brush approach: it intends to buy retail, commercial and industrial property – and some partially completed developments – in the UK.

Other funds are more focused. The Paribas/Touche Remnant fund will concentrate on offices in the south-east and London, which it feels offer the greatest potential. It will also put a particular emphasis on half-built properties, which is why Bellhouse & Joseph, project managers, have come on board.

London offices are also the target of the London Property Growth Fund. It believes that London's oversupply problem will be self-correcting, that the Docklands will be no threat to the centre and that yields – which have exceeded 8.5 per cent for just the second time – will recover. As a result, Mr Huntley of Richard Ellis, is confident. "The fund is not meant to be ambitious. It is meant to be as risk free as possible," he says.

That view is contentious but one that appears to be shared by MEPC, the second-largest quoted company, which may also launch a fund that takes a special interest in the City. It is mulling over the idea of forming a fund early next year, in which it would probably take a 15-20 per cent stake.

A fund being launched by John Govett, fund managers, and Helical Bar, the property company, takes a different tack. It intends to shun the oversupplied City and the recession-hit industrial sector and go for prime, high street shops, which will be the first to recover when interest rates start coming down. Yields have already hardened half a point.

"We are going for a sensibly-sized, un-geared, specialist fund," says Mr Andrew Slade of Helical Bar. It aims to raise £50m and will start investing in April.

Yet another variation on the theme of a recovery fund is that adopted by the Residential Recovery Company, formed by the Isle of Man Assurance Company with RMC, the ready-mix concrete company, taking a small stake. It hopes to raise up to £100m by Easter, for the purchase of residential land from sources such as British Rail, health authorities and local authorities which have to sell to meet capital commitments.

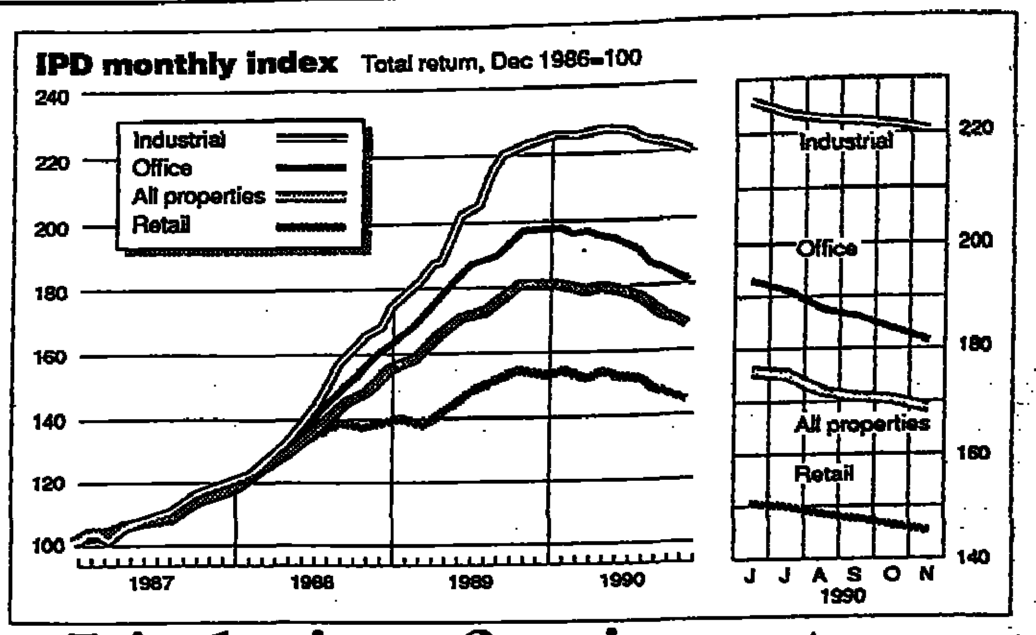
Some recovery vehicles are already on the road. Ossory Investments Ltd (OIl) was launched in October and has already bought the Concord Business Park, near Manchester Airport, from St Modwen Properties for £26m. OIl is backed by Hypo-Bank, Germany's fifth largest publicly traded bank, which is supplying £200m.

Another vehicle on the road is Capital and Regional Asset Enhancements, a subsidiary set up by Capital and Regional Properties to bail out banks unexpectedly burdened with an unlet or half-finished building, after the developer has folded. The fund has money available from Capital and Regional's own bankers to inject as equity, and it has three projects under negotiation.

Finding suitable targets may be more difficult than the funds think. Another question mark hangs over what happens at the end of the funds' life. Some are flexible but others must just hope that their expiry coincides with a liquid and buoyant market.

If investors think they will be buying top quality property at knock-down prices they may be disappointed. "High quality property is owned by high quality owners who are not under pressure," says Mr Slade of Helical Bar. "If they are trying to beat a depressed market they will have some difficulty," says Mr Ian McIsaac of Richard Ellis. "You are not going to get fantastic bargains from institutions," he adds.

If so, the "vulture" tag that is attached to these funds may be inappropriate. What is more, it could prove tactless, even counter-productive when it comes to negotiating with a seller. Mr Slade abhors the label. "If I was a bank and a "vulture" fund came through the door, I would throw it into the street," he says.



Little joy for investors

THE Investment Property Databank's monthly index results for November will bring little comfort to investors in the depressed commercial property market. "Unless the trend is reversed within the next couple of months, the depth of the current downturn will exceed even that of 1974 by March of next year," it said.

Over the month, total return and capital value growth both dropped by 0.1 per cent and rental value growth turned negative for the first time this year at -0.1 per cent. Capital values fell over the year by 11.4 per cent. Total returns deteriorated to -6.2 per cent.

Rental values growth declined in all sectors during November. In particular, the office sector took the brunt of the downturn, producing the worst monthly and annual returns of the market in November (-1.4 per cent and -7.4 per cent, respectively).

Similar returns of -7.1 per cent were recorded by the retail sector because of poorer performance earlier in the year. For the first time, the industrial sector also generated a negative annual total return of -1.8 per cent.

Turnover was substantially down in the quarter, although the balance of expenditure and receipts showed a small positive investment in the index of £1.7m. Offices enjoyed a net positive investment of £4.6m over the last quarter, compared with net disinvestment of £79.4m in the quarter to August 1990. The retail sector recorded net disinvestment, while the industrial sector underwent a £4.2m rise in investment.

LEGAL NOTICES

FAIRWAY TRADING LIMITED

We, Nigel John Vooght & John Martin Iredale of Cork Gully, 9 Greyfriars Road, Reading. RG1 1JG were appointed Joint Administrative Receivers of Fairway Trading Limited Registered number: 2443572 by Schroder Discount Limited on 10 December 1990.
N.J. Vooght
J.M. Iredale
Joint Administrative Receivers

COMPANY NOTICES

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF 40% PREFERENCE SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO.163

With reference to the notice of declaration of dividend advertised in the Press on 28th November, 1990, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 13.363 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 86.637 cents per share.

The dividend on bearer shares will be paid on or after 8th February 1991 against surrender of coupon No. 163 detached from share warrant to bearer as under:-

(a) At the offices of the following continental paying agents:

L'Européenne de Banque 21 rue Laffitte 75428 Paris	Banque Bruxelles Lambert 24 Avenue Marnix 1050 Brussels	Generale de Banque 3 Montagne du Parc 1000 Brussels
Credit Suisse Paradeplatz 8 8021 Zurich	Union Bank of Switzerland Bahnhofstrasse 45 8021 Zurich	Swiss Bank Corporation 1 Aeschenvorstadt 4002 Basle

Banque International A Luxembourg S.A.
Immeuble L'Indépendance
69 Route d'Esch
L-2953 Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At Barclays Bank PLC, Stock Exchange Services Department, Ground Floor, 168 Fenchurch Street, London, EC3P 3HP. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 30th January 1991, at the United Kingdom currency equivalent of the rand currency value of their dividend on 2nd January 1991; or
(ii) in respect of coupons lodged after 30th January 1991, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Stock Exchange Services Department of Barclays Bank PLC.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 am and 3 pm.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Stock Exchange Services Department of Barclays Bank PLC, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 75 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 13.363%	13.363
	86.637
Less: U.K. income tax at 11.637% of the gross amount of the dividend of 100 cents	11.637
	75.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
G A Wilkinson
30th December, 1990

London Office:
40 Holborn Viaduct, London EC1P 1AJ

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 11.637% instead of the basic rate of 25% represents an allowance of credit at the rate of 13.363%.

De Beers
De Beers Consolidated Mines Limited

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION OF 5th December 1990 NOTICE is now given that the following distribution will become payable on and after 17th December 1990 against presentation to the Depositary (as below) of Claim Forms listings Bearer Depositary Receipts.

GROSS DISTRIBUTION	3.75 CENTS
LESS 15% US WITHHOLDING TAX	0.5625 CENTS
	3.1875 CENTS PER UNIT
CONVERTED at 1.9545	1.6308 PENCE PER UNIT

Barclays Bank PLC
Stock Exchange Services Department
168 Fenchurch Street, London EC3P 3HP

CONTRACTS & TENDERS

TENDER NOTICE

SMALLHOLDER FARMERS FERTILIZER REVOLVING FUND OF MALAWI (SFRFM) invites offers for supply of fertilizers as under for 1991/92 season:-

TYPE	QUANTITIES
NPK (23: 21: 0+45)	15 to 20 thousand MT
CAN	15 to 25 thousand MT
UREA	20 to 30 thousand MT
DAP	10 to 20 thousand MT
SULPHATE OF AMONIA	3 to 5 thousand MT

Tender Documents available from:

SFRFM,
Old Mutual Building
Glyn Jones Road
P O Box 2505
Blantyre
Malawi

Telephone No. 634 466
Telex No. 44889 MW Fert MI

Closing date of tenders is Friday 18th January 1991 at 2.00 p.m. Malawi time.

TECHNOLOGY

Battle lines drawn for Nintendo attack

Della Bradshaw on the worries of some European software writers over the success of console games

It is difficult to imagine that a portly, Italian plumber from Brooklyn could earn more than the box office revenues of any film ever produced, with the exception of ET. But that has been the extraordinary success of Mario, a computer games character devised by Nintendo, Japan's leading toy company.

The moustached Mario – Super Mario, as he is often called – and his brother Luigi have helped boost Nintendo to the number one spot in the Japanese and American computer games market. Now the European games market could face a similar onslaught.

Nintendo's move into the European market has caused disquiet among some home computer software publishers, who are used to writing games for the cassette-based or floppy disc-based home computer systems. In particular, some are worried that the structure of the games console market, epitomised by Nintendo, could force many of them out of business altogether.

The situation is particularly disturbing for UK games software houses as more than 90 per cent of European entertainment software is written in the UK, according to the European Leisure Software Publishers' Association (Elspa).

At stake in the computer games business is a market which is doubling every year. According to industry figures there are 1m entertainment computers and consoles in Europe today, but that will grow to 2.5m units by the end of 1991, 4.5m by 1992 and 10m by 1993, figures which will be mirrored by sales of games.

At the heart of the problem is the technology used for games consoles – machines with joysticks or controllers, but no keyboard. The games for these machines are bought on plug-in cartridges. In the cartridge the game is stored on a read only memory (Rom) chip, not the cassette or floppy disc used by keyboard-based home computers.

Although the consoles themselves are relatively cheap – costing £80-£90 compared to £300 and more for a home computer – the cartridge technology is expensive, and means the games cost up to £40 each.

The advantage of the complex cartridge format is that the games are difficult to copy – only the most sophisticated professional counterfeiter can replicate the games. This has helped to stamp out the the endemic habit of 12 year old schoolboys distributing copies of games among their friends.

But cartridges are expensive to manufacture. According to David Ward, chairman of Ocean Software, which publishes both home computer games software and console games, it can cost 10 times as much to produce a Nintendo cartridge game as it does to produce one on a cassette.

This is not only because manufacturing games cartridges is expensive, but because of the time it takes for the games to appear on the market. Once a company has developed a game, and Nintendo has agreed for it to be sold for use on its console, the cartridge is then made by Nintendo in the Far East. The authors of the software then buy the cartridges back from Nintendo to distribute them.

As a result, Ward points out, it can take six to 12 months longer to get a cartridge game on the market than a traditional computer game.

One solution for smaller software publishers which can afford neither the time nor the cash, could be for them to strike a deal with a larger company with the financial muscle to bear the brunt of the expense of developing cartridge systems, says Rodney Cousens, vice president in Europe of Activision, another software publisher.

However, this does not eliminate another worry about Nintendo's marketing technique. To ensure the market grows at an optimum rate, it carefully controls the flow of games on to the market. As the Nintendo approach limits the number of games around, the company could cause a major shakeout in the software publishing industry if it gains a dominant market share.

Nintendo defends its position by pointing to the US in the early 1980s, where, the company says, the console market died because of the proliferation of games – many, cheap imports from the Far East – which confused the consumer. Nintendo, on the other hand, has a product which the consumer knows will be on the market for some time to come, says Mike Hayes, marketing manager for Nintendo in the UK. "What parents don't want is to buy a console and then discover in six months time that there is no software available to run on it."

Nevertheless, in the US, Nintendo's policy provoked Atari, to see red and bring an anti-trust investigation into Nintendo's marketing techniques.

Companies involved in the European industry are now looking at Christmas sales to calculate what the effect of the newer consoles will be on the total market. In a worst case scenario, says Roger Bennett, general secretary of Elspa, if the US situation were repeated in the UK, the number of UK software publishers could drop from 40 to just eight. Elspa has now set up a working party to consider its response to the proliferation of games consoles.

Most hardware manufacturers privately express relief that Nintendo's sales in the UK have not been as high as many feared this Christmas. They also believe that the way the European market is developing means that Nintendo will not corner the market in Europe the way it did in the US.

Nevertheless, software publishers are far from complacent, worried that they may have just put off the fateful day rather than eliminated it. Hayes is confident that Nintendo will take a growing share of the market, predicting that in the UK, Nintendo will have consoles in 750,000 homes by the end of 1991, three times as many as they have today. In France and Sweden, Nintendo consoles have already taken off far more rapidly.

Nevertheless that is still small fry compared to the US market. By the time Christmas is over, more than 27m US homes will house a Nintendo games console.

Particularly encouraging to the home computer lobby has been the success of the latest 16-bit home computers, such as Commodore's Amiga and the Atari 520ST. Such machines now account for 30 per cent of the UK market, says Steve Kelly, managing director of Commodore in the UK. Less powerful home computers account for another 30 per cent, while consoles account for about 40 per cent.

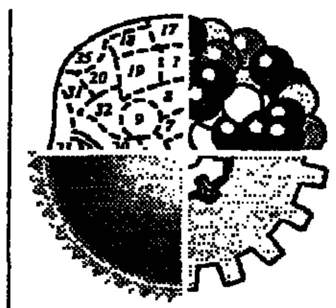
Manufacturers believe this polarisation of the market, between powerful home computers and games consoles looks set to increase, with the more expensive keyboard-based machines being bought for older children, while those under seven find consoles in their Christmas stockings.

Retailers confirm this, reporting that it looks like a prosperous new year for every section of the computer games market. "Consoles are taking business away from the traditional toyshop rather than from home computers," says Gerry Berkley, product manager for games at Virgin Retail.

Perhaps most significant is that, forewarned of the US scenario, games machine makers that sell their products in Europe have decided if you cannot beat them then you should join them. Amstrad, Atari and Commodore all have console games machines on the market this Christmas, as has Sega, another Japanese manufacturer which is clearly giving Nintendo a run for its money.

Whatever the success of Nintendo in Europe, one thing is certain. Europeans will not escape the cult of Super Mario. Such has been his personal appeal that he is to be turned into a movie character, with Danny de Vito starring in the main role.

The next business and the environment page will appear on January 2nd and the next technology page on January 3rd.



WORTH WATCHING

by Della Bradshaw

Junior's ultimate war game

THE ultimate Christmas present for children with access to a paternalistic, very rich and warmongering Father Christmas could be an computer simulator offering personal star wars for £30,000, writes Lynton McLain.

The Super X Bandit from Rediffusion Simulation is an interactive pair of simulators which wage war with the other. Each simulator has seats for two players, who sit in streamlined cockpits manipulating computer generated colour graphics.

These graphics simulate the environment seen from each cockpit, including the position of the opposing star wars machine, which moves on commands from the other simulator.

Intended primarily for theme parks, Super X machines can also simulate golf driving ranges, hang gliding and aircraft flights.

The Super X company, of Bournemouth, was bought earlier this month by Rediffusion Simulation, a subsidiary of Hughes Aircraft of Los Angeles, to form the world's largest leisure simulator manufacturer.

Putting dealers in the picture

THE need for dealers in the City of London to keep up to date with events in the Gulf has proven the spur to the development of a system which can display television pictures on the terminals in dealing rooms.

The technology, from Carter-Voce, transmits the pictures and voice – from cable or satellite television as well as broadcast networks – without the need to install extra wiring or monitors. The trick of the system is to convert the incoming television pictures into a format that can be handled on Reuters screens or their equivalent.

The box needed to supply the service can also be connected to the company phone exchange to give dealers a "hands free" phone service.

Life-raft service from the air

AN emergency life-raft kit, which can be dropped by almost any aeroplane or helicopter, could save the lives of people floundering at sea, writes Robin Burton.

Launched by RFD, of Godalming, the kit comprises a self-inflatable life raft, which can take up to 14 people. It is attached to a flotation line, at the other end of which is a small float with a light on top.

The raft is packed in a special valise fitted with a static line and hook which is secured to a strong point in the aircraft. As the raft falls free, the static line pulls a pin out of one end of the raft's valise and a spring vane parachute emerges from the valise and opens.

Once in the water the raft is automatically inflated by a water-activated unit, while the parachute at the other end acts as a sea anchor. The raft can be used either side up, and is fitted with a ramp to help waterlogged survivors scramble aboard. A canopy can then be erected and used until rescuers arrive.

Chip maker's memory solution

THE race to develop the first commercial memory chip which can store 64m bits of information is accelerating, as chip maker Toshiba announced its solution for how to cram so much information on to a tiny piece of silicon.

Most chip makers use one of two methods of storing data on chips: trenched cells, where a trench is etched into the surface and the data stored therein; and stacked cells, in which the capacitors which store the data are stacked up on top of the surface. Toshiba has opted to use a combination of the two – an asymmetrical stacked trench cell – where stacks of capacitors are stored within trenches, so greatly increasing the amount of data that can be stored.

A thin insulating layer is formed on the surface of the capacitors to prevent electrons leaking between adjoining cells.

Digging yourself a better hole

LASER guidance technology developed for the farmyard has recently been finding its way on to the building site. But now a Swedish company has developed a laser guidance system tailored specifically to handle the precise measurements needed in the construction industry.

The equipment, from AMA Laser Systems, of Stockholm, can be used with a bulldozer, scraper or other form of mechanical digger. It comprises a laser light emitting machine which is programmed with the precise dimensions of each hole or surface required. The laser equipment, attached to the top of a pole, emits a plane of light which can be horizontal or angled, and which is picked up by a receiver attached to the arm of the digging machinery.

When in use, information is sent from the receiver to the cab of the vehicle, where lights indicate to the driver whether the machine is digging on target, too deeply or not deeply enough. The equipment is sold in the UK by Halls & Watts of Washington, Tyne & Wear.

Delayed reaction setting in

IN offices in the US, the phone is usually answered by the third ring. But the latest technology is actually slowing down the speed of response rather than accelerating it.

According to the report, Integrated Image Communications, from International Resource Development (IRD), of Connecticut, the videophone, which transmits a video image as well as a voice conversation, is slowing down response times. With a videophone it takes 11 rings before the phone is answered. So where do the extra seconds go? In straightening one's hair or adjusting one's tie, say the authors of the report.

Contacts: Rediffusion Simulation: UK, 0293 561156. Carter-Voce: UK, 0831 571133. RFD: UK, 0483 414122. Toshiba: Japan, 03 457 2104. AMA Laser Systems: Sweden, 8 834280. Halls & Watts : UK, 091 416 6833. IRD: US, 203 966 2525.

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
21	22	23	24	25	26	27

EXHIBITIONS

London

Hayward. Jasper Johns. Retrospective of the American artist. South Bank. Daily: Late closing Tue and Wed.
Royal Academy. Egon Schiele and his contemporaries. Major exhibition of Viennese paintaings, including Kokoschka and Klimt. Daily. Ends February 17.

Paris

Carte musées et monuments sold in museums and metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Grand Palais. Simon Vouet (1590-1649). The exhibition brings together paintings, drawings and tapestries by the Paris-born artist whose vast compositions decorated palaces and churches at the time of Louis XIII and Richelieu. Having returned from Italy inspired both by Caravaggio's realism and by the Venitians' luminosity of colour, Simon Vouet's influence spread through his pupils beyond his time and across frontiers.Closed Tue, Wed late closing night.
Musée d'Orsay. From Manet to Monet. The museum's acquistions over the last seven years comprise paintings and drawings, photographs and furniture with an exceptional ensemble of Gallé vases. Rue Bellechasse 40494814. Closed Mon. Ends March 10.
Bibliotheque nationale. Memoires d'Egypte. The exhibition payshomage to Champollion for elucidating themystery of hieroglyphs crucial to egyptology. 58, rue Richelieu. Ends March 17.
Louvre. Recent acquisitions of the Department of Objets d'Art.136 exhibits of medieval ivories and goldsmiths' work, of renaissance bronzes, enamels and majolicas and of 18th century furniture, tapestries and porcelain – many of which are royal gifts or royal possessions – have come to enrich and to complete the museum's collections. Hall Napoleon, closed Tues, ends January 21.
Conciergerie. Saint Bernard et le Monde Cistercien. In themagnificent gothic hall of the ancient palace of the Capetiens, an exhibition exhilarating and didactic at the same time celebrates the 900th anniversary of the saint's birth. Illuminated manuscripts and stained glass windows, scale models of cloisters and a huge wine press bring to life the religious fervour of the contemplative yet self-supporting order. Ends February 28.
Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. There are masterful renderings of bullfights, of lecherous men ogling young beauties abetted by barridaps, there are monsters born from Goya's nightmarish imagination and – quite contemporary in their brutality – scenes of war and repression. 2, rue Louis Boilly. Closed Mon (42240702).
Galerie Odermatt Cazeau. Andre Masson. An exhibition astoundingly rich in the quantity and quality of works summing up Masson's oeuvre. He moves quickly from gentle Cubist beginnings to flame-like nudes, from a symbolist mood to erotic violence expressed in an explosion of turbulent reds.85 bis, rue du Faubourg Saint-Honoré (42669258), Ends February 2.
Galerie Maurice Garnier. Bernard Buffet – La Bretagne. In his unmistakable spiky handwriting, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted its Japanese bridge and weeping willows and, above all, time and again the unforgettable Nympheas – waterlilies on still green waters. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for changein his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. There was an endless choice of subjects and locations – Peru with lush palm trees, crusaders liberating Jerusalem or the 1830 barricades in Paris. 107, Rue de Rivoli (42603214), closed Mon, Tue. Ends January 21.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Euphronios and his friends of the Pioneers Group brought invention and originality to their representations of mythological subjects and scenes from everyday life. Open all days from 12 am to 10 pm, except Tue. Ends December 31 (40205166).
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, Fbg. St Honoré (42895881).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the speciality of this small left-bank gallery remain drawings by the Ecole de Barbizon. Precursors of the impressionists, the Barbizon painters discarded both academic conventions and romantic dramatisation in favour of a simple, realistic vision of nature. 11, quai Voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. A period whose importance has only recently been recognised. Closed Tue, late closing Wed, ends January 14.

Brussels

Galerie Isy Brachot. An exhibition to celebrate its 75th anniversary: contemporary paintings.
Galerie de la CGER. The Belgian Dynasty and Belgium's cultural Development. Daily.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily, ends December 30.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the centre reopens as Spain's "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show organised to date on 20th century art.
Museo Nacional Centro de Arte Reina Sofia. Giacometti, undoubtedly the most important retrospective organised to date of this Swiss artist's work. Some 300 works are on show including drawings, paintings and sculptures – half of these have never been publicly exhibited before.

Fundacion Juan March. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart.

Barcelona

Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. The exhibition brings together some 150 works including portraits, paintings, sculptures, prints and pottery, in an important retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model. Ends January.

Rome

Spanish Academy. Small but delightful exhibition of works lent by the Barcelona Museum, at present undergoing restoration. All the works are of high quality, and offer astonishing contrasts of style from Zurbaran's sugary charm to El Greco's fierce mysticism. Included are two Italian works: Tintoretto's Portrait of a Gentleman and Bassano's Crucifixion. Ends January 9.
Villa Medici. Jean-Honore Fragonard and Hubert Robert. A large and fascinating exhibition (rougly 200 drawings and paintings) which offers a comparison between these two very different 18th artists, often depicting the same landscape. Fragonard appears extraordinarily modern using impressionist techniques 100 years before the term was coined. Ends February 24.

Berlin

Bruecke Museum, Bussardsteig 9. Around 152 master prints bythe expressionist artist Ernst Ludwig Kirchner (1880-1938) are on display until January 27.

Bonn

Friedrich-Ebert Stiftung, Godesberger Allee 149.70 paintings and prints by the German expressionist Max Beckmann (1884-1950) are to be seen until January 5.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Anselm Kiefer. For the opening ceremony there are four special exhibitions on the ground floor concentrading on Max Beckmann with works which have only be seen before in Leipzig, the hometown of the painter. Among the other artists are the American sculptors Richard Serra, Anselm Kiefer aswell as sculptures in the garden by Per Kirkeby. Staedel, Schaumainkai 63. Ends January.

Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. He worked as painter, advertising manager and teacher. Ends January 13. Kunsthalle am Wall 207.

Suttigart

Staatsgalerie. Konrad-Adenauer-Str. 30-32. Retrospective of the Italian painter Giuseppe Maria Crespi (1665-1747) with around 80 paintings. Ends Feb. 17.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.
Douglas Drake Gallery. David Hockney prints and photographs. 50 W. 57th St.
Museum of Modern Art. High and Low: Modern Art and Popular Culture may have too broad a theme in highlighting common objects, like newspaper fragments in Cubist works, in 20th-century art, but it brings together a wide range of works by Dubuffet, Duchamp, Picasso, Warhol, Lichtenstein, among others.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection. Ends Feb 24.

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
Chicago Historical Society. A House Divided. America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Terra Museum of American Art. Winslow Homer in the 1890s focuses on the artist's Maine landscapes done at Prout's Neck. 664 N. Michigan Av.

THEATRE

London

The Rehearsal (Garrick). Jean Anouilh's play directed by Ian McDiarmid with costumes by Jasper Conran in a production that has received excellent reviews (071 379 6107).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).
Hamlet (Lyric Hammersmith). Cheek by Jowl's idiosyncratic production, directed by Declan Donnellan (071 839 2244).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years – a production which confirms Ayckbourn's early bleakness (071 867 1119).
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667).
Miss Saigon (Drury Lane). Spectacular and successful musical about a love story between an American GI and a Vietnamese girl during the fall of Saigon in 1975 (071 836 8108).
Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour (867 1004).
Cats (New London). The formula of T.S. Eliot words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072).
The Rocky Horror Show (Piccadilly). Revival of the 1970s classic, directed by Robin Lefevre (071 867 1118).

New York

Falsettoland (Lucille Lortel). It will be known as the first musical about Aids hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque (246 0102).

Washington

Grand Hotel, the Musical (Opera House). Tommy Tune's five Tony award winning musical stars Liliane Montevecchi, Brent Barrett and Mark Baker in the remake of the Garbo film that recreates decadent, dark and dramatic Berlin of the 1930s. Kennedy Centre (468 4600).

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).
Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy duty props in a full blown staging (902 1919).
A Christmas Carol (Goodman). William J. Norris returus for his 12th season as Scrooge in the annual Goodman production (443 3800).

MUSIC

London

London Cencert Orchestra conducted by Philip Simms, with soloists and choir. Christmas concert. Royal Festival Hall (Sun, 3.15pm and 7.30pm) (071-928 8800).
Royal Philharmonic Orchestra conducted by Christopher Bell, with Murray McLachlan (piano). Mendelssohn, Mozart, Grieg, Dvorak. Barbican Hall (Wed) (071-638 8891).
Royal Philharmonic Orchestra conducted by Adrian Leaper, with Philip Fowke (piano) and the Band of the Grenadier Guards. Tchaikovsky. Barbican Hall (Sat) (071-638 8891).

Paris

Christmas vigil and midnight mass with Sacré Coeur *maitrise*, Naji Hakim (organ). Alain, Bach, Hakim, Monteverdi, Poulenc (Mon).Sacré Coeur Basilica of Montmartre (42334300).
Christmas concert. Orchestre de Paris conducted by Semyon Bychkov. Bizet, Offenbach, Strauss (Tues). Chatelet (40282840).
Budapest Symphony Strauss Orchestra conducted by Istvan Bogarwith Sopianae Ballet in Viennese music, dances and waltzes (Wed, Thur). Salle Pleyel (45638873).

Brussels

RTBF Symphony Orchestra conducted by Andre Vandernoot with Dinah Bryant (soprano), Willy Dekegel (piccolo) and the RTBF Alliance Chorale conducted by Andre Vandenbosch and Les Chantres de Notre Dame conducted by Hubert Mertens. Vivaldi, Villa-Lobos, Bach, Simonis and excerpts from Brahms's Ein deutsches Requiem, Berlioz's l'Enfance du Christ and Handel's Messiah (Sat). Eglise Notre-Dame De Lourdes (428 12 91).
Monnaie Symphony Orchestra conducted by Sylvain Cambreling with Margaret Jane Way (mezzo), Alicia Nafe (mezzo), Josef Protschka (tenor), Kurt Streit (tenor), Andrea Rose (soprano). Schumann's Das Paradies und die Peri (Wed). Palais des Beaux-Arts (507 82 00).

Antwerp

Royal Flanders Philharmonic conducted by Michael Schonwandt with Amanda Roocroft (soprano). Sibelius Britten and Sibelius (Fri). De Singel (03-248 38 00).

Amsterdam

Royal Concertgebouw Orchestra conducted by Riccardo Chailly, with Hans Peter Blochwitz (tenor) and chorus. Liszt (Tues). Concertgebouw (718 345).
Netherlands Philharmonic conducted by Hartmut Haenchen, with Hakan Hardenberger (trumpet). M. Haydn, Mozart, Haydn, Strauss (Wed). Concertgebouw (718 345).

Utrecht

Netherlands Philharmonic conducted by Hartmut Haenchen, with Hakan Hardenberger (trumpet). M. Haydn, Mozart, Haydn, Strauss (Fri). Vredenburg (718 345).

Frankfurt

Alte Oper. Bernstein's *West Side Story* with the entire original Broadway production directed and choreographed by Georme Robbins (all week).

Cologne,

Philharmonie: *Haendel Festival* Orchestra Halle, conducted by Christian Kluttig, with singers Juliane Claus, Annette Markert and Axel Koehler with an all Haendel programme (Wed).

Bologna

Gianluigi Gelmetti conducting Webern and Mahler, with contraito Christa Ludwig and tenor Jon Fredric Zest (Sun). Teatro Comunale (529999).

Madrid

Spanish National Orchestra and Choir conducted by Alberto Blancafort. Mendelssohn programma (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).
Leipzig Radio Orchestra and Choir conducted by Max Pommer. Handel's Messiah (Sat). Auditorio Nacional de Musica (337 01 00).

New York

New York String Orchestra conducted by Alexander Schneider. Mixed programme (Mon). Carnegie Hall (247 7400).
New York Chamber Symphony conducted by Jaime Laredo. Bach (Thur). Kaufmann Hall (996 1100).

Washington

New York String Orchestra conducted by Alexander Schneider. Mixed programme (Wed). Kennedy Center Concert Hall (467 4600).

Dantons Tod

MUNICH

Gottfried von Einem's first opera, premièred in 1947 and still awaiting a staging in Britain, is widely judged to be one of the most successful German-language operas since the war. A recently-issued recording of a concert performance at the 1985 Salzburg Festival will doubtless bring the music a wider audience, but it is no substitute for hearing it in the theatre.

Based on Büchner's play about the French Revolution, *Dantons Tod* was conceived by von Einem and his teacher, Boris Blacher, in the shadow of the attempt on Hitler's life. What interested von Einem was the mechanism of terror and the way it sucks everyone into its ugly wake. The opera deliberately avoids personalities. Danton, the rational fatalist, and Robespierre, the fanatic, are mere pawns of the Revolution, the abstract force which propels the action forward. The only personal touches are the brief exchanges between the young idealist, Desmoulins, and his wife, whose two poignant soliloquies bring each act to a close.

The opera has several inbuilt assets. It is short, wastes no time in reaching a series of startling climaxes, and lies within the capability of any medium-size ensemble. It makes none of the demands on the listener that tend to be associated with "modern" opera. The atmosphere swings unpredictably between violence and uneasy calm, culminating in a trial scene of undeniable excitement. All this is achieved with a string of precisely calculated effects.

And yet this Munich performance had a hollow ring. Perhaps by the time I caught up with it, the production had lost some of its bite. The conductor, Heinrich Bender, fulfilled his task adequately: the simultaneous eruption of Marseillaise and Carmagnole in the guillotine scene was well-pointed, though there was a general lack of tension in the orchestra responses. Despite some uncertain choral entries, the quality of singing was high, with strong contributions from John Brocheler as Danton, Kenneth Riegel as Robespierre and Alejandro Ramirez as Desmoulins. Johannes Schaaf's staging, with period costumes and a split-level set designed by Ezio Toffolutti, was serviceable and swift-moving.

No, the real problem seemed to lie with the work itself. Behind von Einem's primary colours and theatrical effects, there is little of real substance. The music is a clever mixture of styles, with no distinct personality of its own. The lack of character development ultimately works against the opera, because the listener has noone with whom to identify. It was hard to avoid a comparison with *Cardillac*, another 90-minute opera dealing with mob rule in Paris, by a composer much admired by von Einem. Beside the Hindemith work, *Dantons Tod* resembles well-crafted pastiche.

★

Munich's concert life this season is unusually rich. My latest visit coincided with a programme of Dvorák, Martinu and Shostakovich, played by the Munich Philharmonic under Peter Schneider. Together with Shostakovich's Eighth Symphony, coherently unfolded *after* a hesitant start, it made for a long evening. For all its variable quality, the Martinu was worth hearing. Unfortunately, the impact was modified by the harsh acoustic of the *Gasteig* Philharmonie.

Andrew Clark

Verdi's long lost daughter?

Andrew Porter reports on a startling revelation

The latest issue of *Opera News* – the Metropolitan Opera Guild magazine – contains news – a bombshell! – that will set Verdians thinking. Conclusion first: that on 14 April 1851, in Cremona Giuseppina Strepponi bore Verdi an illegitimate daughter, whose existence was concealed from the world. The child, consigned at birth ("put through the *turnstile*" was the contemporary phrase) to a foundling home, was later reclaimed and, ignorant of her parentage, brought up as a foster-child on a farm within sight of Verdi's Sant'Agata estate.

Mary Jane Phillips-Matz, the author of the article states nothing quite so definite, for there is no hard proof that Strepponi was the mother or Verdi the father of the child baptized "Santa Streppini" who, under the name "Santa Streppolini", grew up so close to Sant'Agata and then married into another family some of whose members worked for Verdi. But from parish registers, population rolls, etc, she has assembled evidence that when taken together points to the strong likelihood. And it is one that fits with and helps to make sense of much of what we know about the composer.

A musician's first reaction is probably to remember the father/daughter duets that run so powerfully through his operas. Again and again he was drawn to the situation. The illegitimate Abigaille's reproaches to Nabucco and the tender Luisa Miller duet were composed before Santa's birth, and the Gilda/Rigoletto scenes during her gestation. But still to come were *La traviata*, in which Violetta begs Germont to her embrace her as a daughter; the great father-daughter recognition scene of *Simon Boccanegra*; the first scene of *Forza*; and the scene in which Lear recognises Cordelia, asks forgiveness for the wrong he has done her, and is lovingly reconciled (the music was never written, but the words were).

Verdi and Strepponi (the Abigaille of *Nabucco*, which, in 1842, launched his career) began living together in Paris in 1847, at the time of *Jérusalem*. She had already had at least three illegitimate children, by fathers whose identity is still in dispute. They were interruptions of her career and were variously disposed of. But by 1847 Giuseppina Strepponi was a singing teacher, her stage career over.

The autograph of *Jérusalem* contains a dialogue with the text written, apparently, in the alternating hands of Giuseppina and Verdi: "My glory has faded! Family, fatherland, all I have lost!/ No, I still am left you, and it will be for life!/Angel from heaven! May I die in the arms of a husband!" She did so 50 years later – although 12 years were to pass before Verdi actually married her.

In 1849 – scandalising his townsmen – he had installed his ex-prima-donna mistress in the Busseto palace he had bought. In 1850 he composed *Stiffelio*, about the forgiveness of a woman taken in adultery. In 1851, he composed and mounted *Rigoletto*, began work on *Trovatore*, and ruthlessly expelled his parents from his farm at Sant'Agata and moved there himself, into the seclusion that he then guarded so jealously. Meanwhile a Venetian woman with whom he had become entangled threatened to descend on him; and on April 15, the day after Santa had been born and then disposed of, he sent to Piave, in Venice, a desperate letter about a need for secrecy, his mother's illness, the quarrel with his father, and the "crossroad so dreadful that from it I see no way out." Years later, he composed two powerful operas – *Ballo* and *Forza* – about the vanity of attempting deception and disguise, and seeking to evade responsibility.

The dates fit. The emotions fit. Verdi's donations and bequest to infant institutes in the town where Santa and her children lived are perhaps a pointer. That "Streppini" and "Stropellini" are deliberate pseudonyms, not coincidence, is suggested by the fact that Strepponi's firstborn, Camillino, was registered as "Sterponi," while she herself in 1840 used the name "Spillottini" to receive poste-restante mail in secret.

Giuseppina: 'Qual figlia m'abbraciate . . .'

These plays on "Strepponi" are invented names, not otherwise found.

There is no *proof*, only pointers toward the probability that the composer of those poignant father-daughter duets lived with a load of guilt. The hypothesis if accepted raises many questions, to be sure. For one, would it not have been more in Verdi's stern, fearless character to defy the world and boldly and lovingly acknowledge his love-child – as Wagner acknowledged the children that Cosima von Bülow bore him? But then . . . Well, whether they decide to explore the full implications or try to dismiss the evidence, Verdi's biographers and interpreters are going to be kept busy.

The Nutcracker

COVENT GARDEN

At this time of year, when productions of *The Nutcracker* are as inescapable as Christmas itself, I record with pleasure that the Royal Ballet has brought back its excellent staging as a reminder that *Nutcracker* is a work of art, and not merely a way of getting the tots out of the house for a couple of hours. It is a childrens' ballet, of course, but also a ballet about childhood in which nostalgia is quite as important as the sugary delights of the Kingdom of Sweets.

The Royal Ballet shows it doubly as a child's ballet by using the young students from the Royal Ballet Junior School as the infant guests and participants in the mouse-battle of the first act. And I salute the lovely child Christina Aresitis, the Clara of Wednesday night, who is an enchanting and serious actress and, in her little dances, a performer of distinction.

Peter Wright's production, Julia Trevelyan Oman's design, the dramatic resource of the Royal Ballet's artists, make the first act a beguiling picture of Biedermeier charm. There is bustle, fun, a wholly credible view of the world Chaikovsky imagines in his score, and that precious thread of magic and melancholy associated with Drosselmeyer, given wonderful realisation in John Auld's interpretation. A dominating and Hoffmannesque figure, Auld manipulates the action with something both benevolent and quirky in his playing, and we believe in the story. And the magic is everywhere splendid: the tree grows and our eyes widen with delight; the physical world towers above us as the mouse-battle begins; and as the Nutcracker (Simon Rice, that fine and sensitive artist) is rescued, we rejoice with Clara, and watch Ivanov's beautiful snowflake sequence with lifted hearts.

The second act can never achieve the emotional variety of the first (on which Chaikovsky lavished some of his most subtle dramatic writing), and its divertissements must be sat through while we wait for the flower waltz and the grand pas de deux. This was entrusted to Lesley Collier and Irek Mukhamedov. Collier brought off the celesta solo with great sensitivity, every phrase a line of verse; Mukhamedov is so dignified, so sincere in his every action, that a non-character becomes real, and the great historical traditions of Russian male dance speak in the formal distinction of his movement: we see the true heir of Pavel Gerdt, the first Prince in this ballet.

So much of the joy of any *Nutcracker* performance must be owed to Chaikovsky, that it is sad to report that musically Wednesday night was no more than pedestrian. Under Isaiah Jackson's baton, rhythms seemed to have no lift, the infinite subtleties of the scoring lost in the jog-trot of the performance. But this fine production demands to be seen, if only to understand that *The Nutcracker* is a masterpiece, and not merely an act of seasonal piety. Take the children. Or go alone. It is worth the horrors of London at Yuletide to be reminded of the marvels of make-believe.

Clement Crisp

Colouring the archives

Patricia Morison on a revolutionary process

Are Van Gogh's "Sunflowers" going to fade or brown with age? For over 15 years the scientific department of London's National Gallery has been researching whether colour values of paintings alter over time. Out of this quest 18 months ago was born the VASARI project. This will use the technique of high resolution digital colour image processing to create an exceptional archive colour record of the collection.

VASARI has exciting implications. Its techniques of imaging could affect the paintings which will be available for curators to select for art exhibitions. Images of Old Masters will reach standards never achieved before and at Christmas a decade hence, your *FT* art critics will be enthusing about the latest Old Master or gallery catalogue to appear on digitised video-disc.

VASARI, one of the decade's better acronyms, was the name thought up by David Saunders, a scientist at the National Gallery. It evokes the shade of the great Renaissance art-historian and stands for Visual Arts System Archiving Retrieval Images. The genesis of the project lay in a major shortcoming of the technique originally used by Saunders to look for long-term colour change; a reflectance spectrophotometer. This device took spot measurements of 20 tiny points on a painting's surface, which left a lot of surface where it was possible that undesirable changes were taking place. How to record the +whole+ painting?

Photography was not suitable because it involves too many variables and, moreover, photographs deteriorate. The answer lay with image processing. This uses a black and white camera, but not to create a conventional photograph. Instead, the camera measures reflectances from the painting.

The image is then split into +pixels+, i.e. picture elements, from which a numerical map is made. The painting is imaged through seven colour separation filters. These colour readings are assigned number values. The result is a +digitised+ image of the painting, an Old Master transformed into a vast block of data which can then be manipulated and stored on a computer.

The VASARI project was conceived when the art-history department of Birkbeck College, London University, joined the National Gallery team. Birkbeck needed a way to turn a huge collection of deteriorating colour transparencies into a permanent archive. VASARI now has seven European partners and a budget of 3.6 million Ecus, 2 million Ecus contributed by ESPRIT2, the EEC's body for funding information technology research.

The French partners are Telecom-PARIS, linked up with the Louvre, and Thomson-CSF. In Munich, there is the Doerner Institut. One application of the VASARI project now being researched in Munich is as a way to measure +craquelure+, the hair-line crazing which develops on the surface of oil paintings.

Increasingly, worries are expressed about the effect that exhibition circuits may have on the conservation of paintings. The choice of paintings for the Titian exhibition in Venice this summer was severely criticised on the grounds of the conservation risk. For this reason a way to measure +craquelure+ will provide valuable scientific data; so, too, with the National Gallery's project to measure the effect of vibration.

The London end of VASARI operates in the basement of the NG. Amidst a battery of computers a painting rest on an easel. Opposite, mounted on a motorised frame, is a small camera with six antennae like ropes of onions. These have lights attached, and the position and lighting level for each painting is recorded with great precision.

The camera was developed by the Munich Technical University. It is operated from a computer and grinds noisily along caterpillar tracks. On a VDU the operator can see where the camera is focussed and the log it is making on a grid. The camera's high resolution image splits the picture-surface into millions of *pixels*, or picture elements. Images are made from several different positions and then merged as a "mosaic".

For the layman, perhaps the most intriguing aspect of the VASARI project is the possibility of seeing these extraordinarily high quality images on digital video-discs. Conventional video-discs of works of art are already on sale at galleries on the continent, but a digital video-disc is, as I discovered, quite another matter.

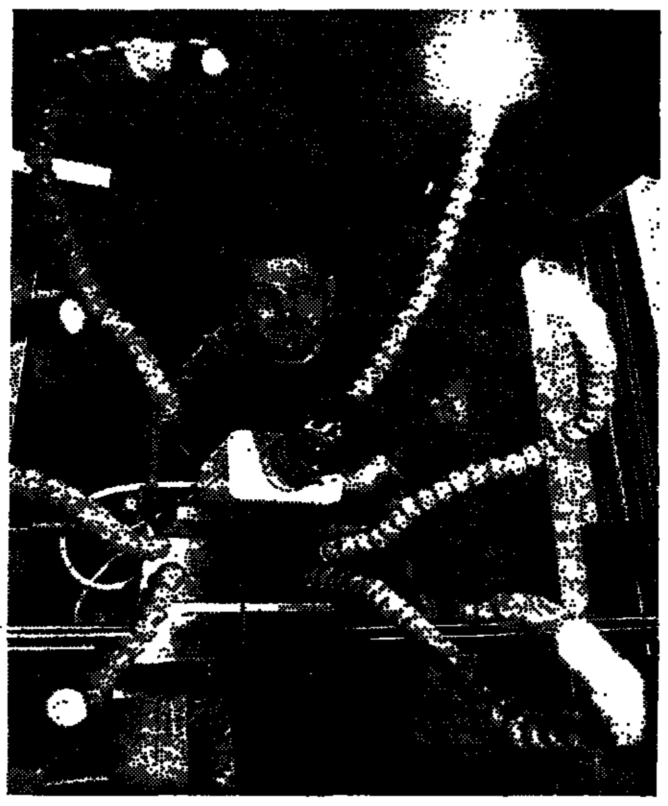
On screen, I examined the digital "Adoration of the Magi" by Jan Gossaert. It is actually not possible to see the whole image on screen at one time because a VDU can show only 1 million pixels whereas the Gossaert is made up of 9 million pixels. The fun of the thing is to draw out very small parts of the image and yet find they retain the same definition as the whole.

I could observe tiny details, such as a patch of bricks Gossaert put in the stable wall and brush-strokes in the wooden fence. An enhanced digitised image showed me the tiny cracks on Roger Campin's Madonna. X-ray information can also be included, so an enhanced digitised image will show more clearly than an ordinary X-ray the underpainted faces on a Karel Dujardin self-portrait.

For conservators and curators, digitised catalogues will be an obvious boon and they will eventually be available for teaching art-history. VASARI will also benefit the photographic and film industries. Camera crews currently spend hours filming paintings but in future the shots could be supplied from the gallery archive.

VASARI could prove highly profitable, but there is a snag: copyright. The National Gallery owns the copyright on reproductions of its collection. If, heaven forfend, a thief were to take Van Eyck's "Arnolfini Wedding" his smartest move might be to have a digitised image made and then put the painting in a left-luggage locker. His pirated Van Enck would be extremely valuable because the digitised version, unlike a colour transparency, can be infinitely copied with no deterioration.

As for the spectre of browning "Sunflowers", Saunders hopes that the five-yearly tests will continue to produced only negative results from comparing the new, digitised images. However, VASARI may yet produce the sort of data that will make conservators' hair stand picturesquely on end.



David Saunders with the VASARI project camera

Russ Abbott's Palladium Madhouse

LONDON PALLADIUM

There is no pantomime this Christmas at the Palladium, but does that matter? The Palladium was never the place for true-blooded panto anyway. What the Palladium used to do in pantomime is what it does most of the rest of the year – showbiz. And this Yuletide, in Russ Abbott's Palladium Madhouse, that's what it's offering again.

At the Palladium, as anywhere, Russ Abbott is a genial madcap. He pops up in scene after scene, disguise after disguise, accent after accent. One moment he's a barman who's thrown out of his job for sheer clumsiness, the next he picks up the only woman in town who's sorry for him and hurls her into the orchestra pit. Here he's a lank-haired Prince in *Swan Lake*, there he's a spherical Humpty Dumpty song-and-dance man. Is he smart or dumb? butch or scraggy? efficient or inept? You keep revising your opinion.

In one sketch he's a radio sound effects man who's all set up to accompany *Escape from Stalag III*, only to find that he has to improvise through the latest episode of *Jane Eyre*. This is quintessential Abbot, but so is his next number, when, to 007 music, he's Secret Agent Basildon Bond . . . Irrepressible, irresponsible, irreverent, anti-social, he seems to be a classic figure of antic mayhem – a Eulenspiegel or Pulcinella of our time – and I start to relish his antics along these lines.

But that enjoyment only carries me so far. Russ Abbott keeps turning into a much more conventional figure than I hope, and the Palladium show around him is very conventional showbiz indeed. Everything is fast, slick and competent. The entertainment doesn't build, it just simmers its audience at a steady bubble all evening long. Dancing, juggling, fiddling, joking. And Abbott himself is a consummate pro. He rattles off patter – often hilarious nonsense patter – at brilliant speed. He's athletic. (When he hurls the old bag into the orchestra pit, we laugh the more because he himself has taken an astounding flying leap into it just minutes before.) He's a deft drummer. And he's versatile.

But he's not individual enough to be one of the great comedians. He has good scriptwriters, but most of his gags could belong just as well to any other comic. (Some of them have probably done the rounds.) This become more obvious as the show goes on. He's at his most anonymous of all when he appears as himself at the end, delivering a rapid-fire series of stand-up comic jokes. True, some jokes are good. But by that point the Russ Abbott show is no longer the Madhouse that only Abbott could be presenting – it's given way to standard comic routines and standard Palladium razzmatazz.

Alastair Macaulay

Saleroom turnover down

Yesterday it was Sotheby's turn for its tale of woe about the autumn art market season. World turnover for the three months to December was 57 per cent down in sterling, from £957.3m to £411.6m (50 per cent lower in dollars, from just over $1b.to $751m). The out-turn was marginally worse than Christie's figures released on Tuesday which registered a 50 per cent sterling fall to £334m.

Once again the collapse was concentrated on the post-1875 picture market. Sotheby's turnover for 1990 was $2.4b (£1.39b), a decline of 17.5 per cent in dollars and 23.6 per cent in sterling on the record performance of 1989. The saleroom pointed out that 1990 was the second best ever year in the art market but even so the collapse in the autumn must be worrying. Looking on the bright side, Sotheby's points out that 1990 was its second best year ever and that certain markets such as antiquities, tribal art, antiquities and Latin American pictures showed a gain on 1989.

Meanwhile back in the real world, Christie's South Kensington sold the bull whip that Indiana Jones (really Harrison Ford) used to great effect in his movies for £12,650, double the high estimate, to the Hard Rock Café in Paris in a successful memorabilia auction.

The (Jewish) marriage contract between Marilyn Monroe and Arthur Miller went within forecast for £7,150 and the black skull helmet worn by Death Vader in the movie *Return of the Jedi* did well at £5,280. James Dean's wallet sold for £6,050; Tommy Cooper's joke cue cards for £2,860 and a shirt worn by Rudolph Valentino for £4,400.

Antony Thorncroft

WNO threatens closure

The Welsh National Opera is contemplating closing down by the summer of next year unless it receives more subsidy. Alone among the major opera companies it failed to receive Enhancement Fund money from the Arts Council this week. It had asked for £500,000, but only got a basic 8 per cent rise in its £3m. grant.

The WNO spends 70 per cent of its time touring in England but the Arts Council of Great Britain maintains that, as far as extra Enhancement cash is concerned, it should look to the Welsh Arts Council. The WAC has come up with £175,000 (out of a total allocation of £400,000) but the WNO thinks its contribution to opera outside the Principality should also be recognised.

Its total turnover is around £9m of which almost a half comes form box office, sponsorship, etc. Its notice of closure could be a shot across the bows but in the current economic climate it should not be taken lightly. It can't cut down on performances – that reduces its grant – so if the Arts Council of Great Britain wants this respected company to survive it should supply more money or come up with an alternative funding solution.

A.T.

ARTS GUIDE

December 21-27

OPERA AND BALLET

London

Ballet. The Royal Ballet succumbs to yuletide with *The Nutcracker*. London City Ballet proposes its new *Cinderella* every night except December 24; and English National Ballet opens a traditional season at the Royal Festival Hall with Schaufuss' loathsome version of *The Nutcracke* – not recommended.

Paris

Bastille Opéra. The controversial Opéra's *Figaro's Hochzeit* is conducted by Gabriele Ferro in Ezio Frigerio's decors, with Ferruccio Furlanetto as Figaro and Joan Rodgers as Susanna(40011616).

Brussels

The Monnaie Opera in *Mefistofele* by Arrigo Boito (concert version) conducted by Emil Tchakarov with Jose Van Dam, Wieslaw Ochman, Margaret Jane Wray, Elzbieta Ardam, Franco Careccia. Palais des Beaux-Arts (507 82 00).

Amsterdam

Muziektheater. The National Ballet in *Swan Lake* choreographed by Van Dantzig and Van Schayk. Netherlands Opera in a co-production with English National Opera of *A Masked Ball*, conducted by Michael Hálasz (255 455).

Madrid

Ballet Lirico Nacional dancing *Concierto Madrigal, Symphal, Arenal, Opus Piat*, with the Madrid Symphony Orchestra conducted by Miguel Roa. Ends December 30 (429 82 25).

Rome

Teatro Dell'Opera. Luciano Pavarotti returns triumphantly to Rome after a 21-year absence, singing Cavaradossi (Nicola Martinucci takes over on Thursday) to Raina Kabaivanska's Tosca, with Ingvar Wixell as Scarpia, conducted by Daniel Oren.Dramatic, predominantly red and black sets, designed by the sculptor Mario Ceroli (488.17.55).

Milan

Teatro Alla Scala. Riccardo Muti conducting Roberto de Simone's sensitive but somewhat static production of Mozart's *Idomeneo*, with spectacular sets by Mario Carosi. Excellent performances by Carol Vaness, as a much-applauded Electra, Gösta Winbergh and Patricia Schuman, and as usual at Christmas, the Scala Ballet dancing *The Nutcracker*, this time in Rudolf Nureyev's version, with Isabel Seabra and Zoltan Solymosi alternating with Andrei Fedotov (72.003.744).

Bologna

Teatro Comunale. The splendid Ruggero Raimondi singing the title role in Mozart's *Don Giovanni*, in Luca Ronconi's production conducted by Riccardo Chailly (conducting Mozart for the first time). Daniela Dessi sings Donna Elvira, Jane Eaglen is Donna Anna, Adelina Scarabelli, Zerlina and Alessandro Corbelli, Leporello (529999).

Berlin

Opera. The Magic Flute is a well done repertoire performance. *Haensel Undgretel* will be conducted by Hans Martin Rabenstein with Karan Armstrong and Iris Vermillion. *La boheme* in Goetz Friedrich's production features Eva Johansson, Gwendolyn Bradley and Denes Gulyas. *Die lustigen weiber von windsor* rounds off the week.

Hamburg

Opera. A Josef Protschka lieder recital, accompanied at the piano by Helmut Deutsch with Schubert's *"Die Schoene Muellerin"*. Onegin, choreographed by the late John Cranko. *The magic flute*. *Haensel undgretel* is well sung by Gabriele Rossmanith and Olive Fredricks.

Cologne

Opera: *The Magic Flute* brings Elizabeth Carter, Machikoobata, Robert Bork, Herbert Lippert and Dieter Schweikart together. *La boheme* has fine interpretations by Nova Thomas as Mimi and Fernando de la Mora as Rodolfo.

Bonn

Opera. *Ariadne auf Naxos* stars Eva Marton, Julia Conwell, Michael Sylvester and Christian Boesch. *Der nussknacker* has wonderful Yuris Vamos choreography.

Munich

Opera. *La Boheme* has a first-rate cast led by Natalia Troitskaya, Angela Maria Blasi, Giacomo Aragall and Wolfgang Brendel. *Der fliegende hollaender* is respectable with Bernd Weikl, Julia Varady, and Jaako Ryhaenen. Further offered *Haensel und Gretel* and *Cinderella*.

Frankfurt

Opera This weeks performances include the ballet primiere of *The Sound of One Hand Clapping*, choreographed by Jan Fabre. *Macbeth* with Roslaind Plowright in the title role and the last *Derfliegende Hollaender* production.

New York

Metropolitan Opera. *Faust* continues, conducted by Thomas Fulton in Harold Prince's production with Diana Soviero, Neil Rosenshein and Samuel Ramey. Marilyn Horne, Chris Merritt and Samuel Ramey perform in John Copley's new production of Rossini's *Semiramide* conducted by James Conlon. Julius Rudel conducts Dino Yannopoulos's production of Giordano's Andrea Chenier with Aprile Millo and Sherrill Milnes (362 6000). New York City Ballet. *The Nutcracker* takes over for its annual appearances. New York State Theatre, Lincoln Center (496 0600).

Chicago

Lyric Opera. Tatiana Troyanos has the title role in *Carmen* with Neil Shicoff as Don Jose, conducted by Eduardo Mata. Leo Nucci sings the title role of *Rigoletto* in Sandro Sequi's production conducted by John Fiore. Civic Opera House (332 2244).

FINANCIAL TIMES
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The end of perestroika

PERESTROIKA means reconstruction. It was a word which captured the imagination. It appeared to promise the peaceful transformation of an oppressive and inefficient system, entrenched for over 70 years, into a modern, productive and humane society. It has failed to deliver.

The task was tantamount to rebuilding a passenger liner, under steam in the middle of an ocean, and steering it towards an entirely new destination. Those who said it could not be done are raising their voices again to call for resignation of the captain and a return to dry dock.

The trouble is that the voices being raised in the Congress of Deputies against perestroika have little to offer in its place. Nostalgia for a return to the old Soviet Union as a centrally planned military super-power is not a policy. The long, slow process of modernisation has to continue. The questions are how to save what is salvable and what, if anything, the west can do to prevent a violent breakdown of law and order and provide some hope of light at the end of the tunnel.

When Piotr Stolypin became prime minister in the aftermath of the abortive 1905 revolution he promised "order, then reform". These words are echoed in the calls for greater discipline heard recently from Mr Kryuchkov, the head of the KGB, and the generals who have taken over the ministry of the interior.

It has not yet come to military rule. In any case, there is no reason to suppose that the military would be able to solve the enormously complex political, social and economic problems facing the Soviet state. They are hard pressed to deal with the logistical problem of bringing home 500,000 men from eastern Europe and resettling them.

Authoritarian solution

Nevetheless, some sort of authoritarian solution is now being actively considered, to the dismay of Mr Eduard Shevardnadze, the foreign minister who resigned yesterday. The most likely outcome is the retention of President Gorbachev as leader of a government dedicated to tougher action against criminals, including those who would be entrepreneurs if the legal and institutional framework for a market economy had been implemented, instead of being talked about. Other priorities of such a government would be to restore the old supply links and reinforce Moscow's authority over the wayward republics.

Accumulating power

On paper, Mr Gorbachev has been accumulating enormous powers. He has also threatened to impose direct presidential rule if national security or lives were at stake. He singled out ethnic disputes between Armenia and Azerbaijan, Georgia and Moldavia as examples, but also included the Baltic states.

The use of force to separate warring factions is one thing. But the use of troops or large scale KGB arrests to ensure Moscow's control over the Baltic states forcibly incorporated into the Soviet Union in 1940 is something else. Moscow would find it very difficult to retain the west's sympathetic support if the new powers were used to repress the Baltic states rather than as temporary emergency measures to restore order where it had broken down.

The Soviet Union is too large and too unwieldly. Historically, Moscow always held too much power. The creation of a looser, federal system still makes sense, for both political and economic reasons. The search for a workable Treaty of Union must continue. But the Soviet people must work out their own salvation. All that has been proved by the past five years is that the problems are much more difficult than first imagined. The time needed to bring the Soviet Union closer to modern standards should be measured in decades, if not generations. There are no quick fixes – either internally or from abroad.

This leaves the west on the margins. Arms reduction must proceed with all urgency, to lift the military burden. Technical assistance and advice should be concentrated on key industrial and service sectors – especially in helping to create modern telecommunications and banks. Financial help should remain highly selective and conditional.

The OECD's Xmas present

A WORLD that, according to the latest OECD Economic Outlook, will run a current account deficit of $112bn with itself this year, would seem not to need any other Christmas presents. It would also seem unlikely to get any. But the OECD's present is better than might be feared, although it is largely for the citizens of the richer countries of the world.

Consider a few of the things that are going quite well. The US economy may well do even worse than the 0.9 per cent growth of gross national product forecast by the OECD for next year, but this is offset by continued growth in Japan and Germany, at 3.7 per cent and 3 per cent respectively. Growth of OECD GNP as a whole will fall below 2 per cent in 1991, according to the OECD, but this is at least expected to bring inflation down a little.

Moreover, the infamous current account "imbalances", which so disturbed the policy-makers in the second half of the 1980s, are melting away. "By 1992," proclaims the OECD, "the US current account deficit and the Japanese and German surpluses may have narrowed to some 1 per cent of GNP in each case." What would then be left is that huge "imbalance", perhaps with Father Christmas or the moon, with which the world economy has lived for years.

The OECD is also quite optimistic about the effects of the oil shock. The optimism is not only because of the price, forecast at $27 in real terms. As the OECD also notes, the energy intensity of OECD economies has fallen by a quarter and their oil intensity by 40 per cent since 1973. Furthermore, the rate of inflation is now both lower and more stable than prior to the two previous shocks. The direct price impact of the rise in oil prices amounts to just under 1 percentage point. Given determined monetary policies and the reforms of labour markets that occurred over the past decade, this should not lead to a wage price spiral.

Worries galore

OECD silver linings always have a cloud. The main risks, it remarks, "would appear to lie largely on the downside". Indeed, they do. Quite apart from the worry over further oil shocks, there is the worry over weakening business confidence, the worry over OECD inflation, the worry over protectionism, the worry over the declining dollar, and the worry over financial fragility, altogether enough worries even for the OECD.

Financial fragility

On financial fragility, however, the OECD is robust, suggesting that the main worry is worry itself. What must be done is, as it insists, only to ease monetary conditions in the face of a systemic threat, to impose greater conditionality upon investor insurance, to insist on clearer accounting standards, and to provide both stronger and more unified supervision. What must not be done is to tolerate a serious resurgence of inflation in order to bail out the banks. The financially fragile tail should not be allowed to wag the economic dog.

Such worries of the rich notwithstanding, the real grief is that of the envious poor looking in. Prospects for the OECD may not be too bad; but those for eastern Europe and oil importing developing countries look grim. The output of eastern Europe is twice as energy intensive as that of the industrial countries. Their Christmas present is a loss of $9bn next year in higher prices and reduced subsidies.

The OECD countries should be less Scrooge-like, particularly towards those countries like Poland that have made major adjustment efforts and the poor of the world, especially in Africa. But they must also persist with the structural reforms that have done much to improve the performance of their economies over the past decade. Nobody who examines the response of the OECD economies to higher oil prices can doubt the power of the market to bring about adjustment, if allowed to.

The area of policy least touched by deregulation has, in fact, been trade. The best presents require activity throughout the New Year. In this case, the OECD's view of the world should stimulate a successful conclusion of the Uruguay Round of trade negotiations in early 1991.

Gorbachev has lost his foreign minister and closest colleague. Is this the price of keeping the Soviet Union together, asks **Quentin Peel**

Dissent on road to dictatorship

Just three weeks ago, President Mikhail Gorbachev told a meeting in the Kremlin that perestroika was born on a beach by the Black Sea, where he was strolling with his good friend Mr Eduard Shevardnadze, then the Communist party leader in Georgia.

"That is when Shevardnadze said that everything had got rotten," he told a meeting of cultural workers. "We said we could not go on living the way we lived before."

To old-fashioned Kremlin-watchers, those words were a clear indication that Mr Gorbachev was singling out his foreign minister to become his vice-president. Yesterday he confirmed that he had been about to offer Mr Shevardnadze that job. But it was already apparently too late. For only hours before, Mr Shevardnadze had stunned the Congress of People's Deputies, not to mention the Soviet Union and the world at large, by announcing his resignation.

The shock of it is clear: to the whole world, the man who was once the police chief of Georgia, and then transformed into the principal negotiator of international peace and disarmament, was second only to Mr Gorbachev as the public face and voice of perestroika. If he goes, what hope is left for Soviet reform?

His speech yesterday was an extraordinarily emotional affair. He could no longer endure the endless sniping and criticism, the "persecution" of conservative forces such as arch-conservative army officers, he said.

But his statement was far more devastating than that. It was also the most unequivocal warning by a responsible Soviet leader about the imminent threat of a reactionary dictatorship, stated with the full knowledge of the impact it would have in the Soviet Union and around the world. It will probably have done more to whip up the atmosphere of alarm and despondency in the country than any recent event.

Shevardnadze's resignation stunned the world and will probably have done more to whip up the atmosphere of alarm and despondency within the Soviet Union than any recent event

So why did he do it? Was it really a great political self-sacrifice to warn his nation of the danger it was facing? Was it simply the response of a physically and emotionally exhausted man, worn out by the revolutionary upheaval he helped begin? Or is it all part of a Machiavellian manoeuvre by the two high priests of perestroika, fighting every inch of the way to outwit a growing conservative backlash?

All explanations are equally possible in the super-charged atmosphere of Soviet social, political and economic disintegration today. In the corridors of the Congress yesterday, all had their passionate advocates.

Last June, one of Mr Shevardnadze's closest advisers summed up his state of mind when discussing suggestions that he might become prime minister. "He is exhausted," the adviser said. "He is prepared to carry on doing the job he has, but he simply has not got the strength to take on a new one. Not only that. His own republic, Georgia, may no longer be part of the union by the end of the year. That would completely undermine his position."

Western diplomats and negotiators confirmed that the foreign minister was working at the limit of his capacity. Domestic politics were so all-consuming that while he was able to concentrate on central issues such as the Gulf crisis, he was unable to deal with secondary, but still important issues, such as Afghanistan, they said.

If it is true that he did not tell Mr Gorbachev in advance, then it would confirm the move as an acutely personal gesture. But was it aimed at a national audience, as he said, at jolting the democratic forces out of their faction-fighting, or was it aimed nearer home: at stopping Mr Gorbachev himself drifting into the clutches of the truly reactionary forces?

Mr Shevardnadze pledged loyalty to his leader, saying: "I am his friend. We think alike." Yet if any dictatorship is in sight, it is most likely to be that of Mr Gorbachev himself, backed by the old triumvirate of power: the army, the Communist party and the KGB. No other obvious alternative is in the wings.

Only on Wednesday, the Soviet leader declared himself ready to impose a state of emergency – direct presidential rule – on conflict zones in the country. It appeared to be a direct response to an appeal by more than 50 top military officers, Communist party conservatives, nationalist writers, and even the Patriarch of the Russian Orthodox Church.

"If that means he is ready to impose martial law on the Baltic republics, Mr Shevardnadze may have said he simply cannot defend it in the west. It would undermine his whole foreign policy. We must assume he knows something we don't know," one western diplomat said yesterday.

There is no doubt that another element in the pressure on Mr Shevardnadze has been the rise of aggressive nationalism, including Russian nationalism. He is caught between the demands of a clear majority in his own Georgian republic to quit the union, and the mockery and rejection of his Georgian roots in his alternative Russian constituency.

Now the Communist party has lost power in Georgia, he has lost his political base. That is a fate which he shares with Mr Alexander Yakovlev, the philosopher of perestroika. And it is a fate which Mr Gorbachev himself is in severe danger of suffering, as his own popular support collapses.

Yet the Soviet leader has an alternative: to cultivate the Russian nationalist lobby, which Mr Boris Yeltsin has shown himself quite capable of exploiting too.

"Gorbachev is starting to pay the price for staying in office by dispensing with the people who built his image," Mr Vitaly Korotich, editor of Ogonyok, the radical weekly magazine, said yesterday.

Mr Yakovlev was the first of Mr Gorbachev's entourage to lose a proper job, bitterly attacked at the Communist Party Congress last July, and now sidelined in the Kremlin. Then Mr Bakatin, the popular and liberal interior minister, was dumped this month, the day after conservative deputies demanded his resignation. Now it is Mr Shevardnadze's turn.

Yet against all that, and in spite of Mr Shevardnadze's obvious emotion, there were many in the Kremlin yesterday arguing that it was all an ultimately devious political coup.

"It is an attempt by Gorbachev, by frightening us with a (reactionary) dictatorship, to get the majority of votes he needs in the Congress to instal the regime of his personal power," according to Mr Telman Gdlyan, the former corruption investigator who leads the hard-left radicals.

Mr Yuri Blokhin, co-chairman of the conservative Soyuz group, said the speech was a "well-planned spectacle", designed to head off criticism of Soviet foreign policy, and distract the deputies from the sweeping new powers Mr Gorbachev is seeking.

Both would expect Mr Shevardnadze to re-emerge, once Mr Gorbachev's powers are in place, as a key player in the drama, possibly even still as vice-president.

Whatever the truth, the common factor in all these explanations is an assumption of a right-wing backlash against perestroika that somehow needs to be countered, or accommodated. The question is just how serious that threat is today.

The dislocation of food supplies, the empty shop shelves, the all-pervasive black market, and the beginnings of a rampant inflation – all these factors are fuelling demands for the reimposition of law and order, of what Russians would call *podryadok*. It means order with an iron fist, but with a clear conscience: uncorrupted discipline, exemplified perhaps by Mr Yuri Andropov, the former KGB chief and Soviet leader who first spotted and promoted Mr Gorbachev.

The other factor is the rise of nationalism, the ethnic disturbances of the trans-Caucasus and central Asia, and the secessionist demands of the rebellious Baltic republics. Suddenly the old divisions between reformers and conservatives have become blurred, in the alternative struggle to preserve a single Soviet state.

The open letter to Mr Gorbachev, calling on him to use his presidential powers to impose order on the rioting republics, revealed the breadth of the new alliance. It was signed by many of the military high command, including General Mikhail Moiseyev, the chief of the general staff; by neo-conservatives from the Communist party, like Mr Boris Gidaspov, boss of the Leningrad party; by the Patriarch Alexis of the Russian Orthodox Church; and by Russian nationalist writers. The most surprising inclusion was Mr Nikolai Gubenko, the liberal Minister of Culture.

Yet later General Moiseyev sought to play the whole thing down. The country was not ripe for a state of emergency, he declared. Nor were the Baltic republics an obvious target. It was only where blood was being shed that the signatories were demanding law and order.

As for the much-touted possibility of a military coup against Mr Gorbachev and the reform process, even the most died-in-the-wool conservatives do not believe this is a real possibility. Colonel Viktor Alksnis, the self-confessed reactionary whom Mr Shevardnadze partly blamed for his demise rejects the idea. He thinks that united action by the military across the country is impossible because "the army is not homogenous". However, he believes that local conflicts involving the military cannot be ruled out because "the army is literally cornered and desperate".

If Mr Gorbachev has changed – and it is often difficult to see where the Soviet leader's tactics end and his strategy begins – then two important factors are behind it. The overriding one is the threat to the integrity of the union. The secondary one is popular hostility to a market economy.

In recent weeks, the Soviet leader's defence of the union has become ever more strident. It appears that he is determined not to go down in history as the man who lost the empire. Yet that has pitted him against the rising power of the republics – and against the likes not only of Boris Yeltsin, in the Russian federation, but also rising stars of the system like Mr Nursultan Nazarbayev, in Kazakhstan.

The only institutions backing a union equally fervently are the three old pillars of Soviet society: the party, the army and the KGB. To those can now be added the church, and the assorted forces of Russian nationalism. Perhaps that is indeed the combination which so horrifies Mr Shevardnadze.

The furious debate over economic reform, between the market radicals and the cautious conservatives of the government bureaucracy, also forced Mr Gorbachev to fall back on the same old constituency, although this time it was the managers of the mighty military-industrial complex.

The overriding objection of the government to the radical reform plan was the brutal credit squeeze it would impose on the defence complex, leading almost inevitably to widespread bankruptcies. The combination of those objections, and fear of a popular backlash, led Mr Gorbachev to try a compromise on that front as well.

The result has been continuing economic chaos, the rise of a barter economy to replace the old state economy, and rampant inflation.

Mr Nikolai Shmelev, a people's deputy and radical economist, is convinced that the forces of old Russia will never let the union disintegrate.

"You underestimate the power of imperialism," he says, when asked whether the country is really breaking up. "It is not a question of whether the country will fall apart or not, but of how they will stop it disintegrating: will it be bloody, or will it not? Let us pray that Mr Gorbachev does remain the man in charge. At least then there is a chance it will be less bloody."

OBSERVER

Paying the piper

■ A management buy-out with at least two differences is taking place in London. For one thing, little money is involved. For another, what the managers staging it are taking over has nothing to do with their jobs, although it has a central part in their lives.

All are members of Britain's dedicated corps of amateur singers who appear regularly with professional choirs such as the Monteverdi and the Taverner's as well as with top amateur ensembles including the Academy of St Martin's.

After years of being at the beck and call of professional conductors, and not always gruntled by the way they are treated, a group of them is determined to have more voice in its own artistic affairs.

So it is setting up The New Company, an amateur choir managed by its own members who will pay the piper as well as sing the tune. "We want to have more control over the orchestras we are booked to sing with, the conductors with whom we work, and the programmes we take part in," says Philip Pettifor, one of the company's seven strong management team. A tenor, and former chorister at St Paul's Cathedral and choral scholar at St John's College Cambridge, he earns his keep by running Pettifor, Morrow and Associates, a management consultancy. The other six in the team are David Barnard (bass) of Conifer Records, Suzannah Chapple (soprano) of Brook Street Bureau, John Crowley (tenor) of Den Norske Bank, Rona Eastwood (soprano) of Harold Holt, Jennifer Youde (alto) of British Coal Pension Fund and Julian Walker (bass) of KPMG Peat Marwick McLintock.

Between them, they reckon they have the financial and organisational skills to give the new company a strength of management which is unfortunately rare in the arts.

"We showed that with our first concert at St John's, Smith Square, last month," says Pettifor. "We set it up from scratch in two months flat, and we didn't lose money on it."

Talking point

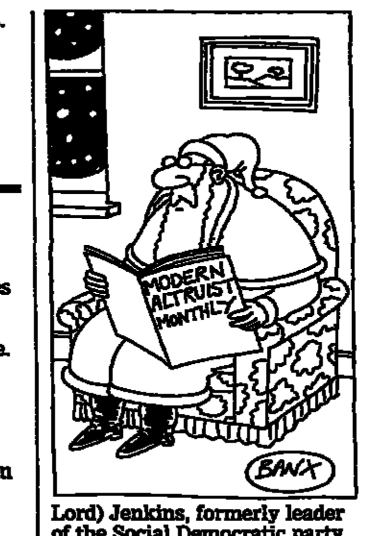
■ The rumour that Investors in Industry is recruiting moles to undermine its rivals is an exaggeration, says David Marlow, the 3i chief executive. The company, Britain's foremost training ground for venture capitalists as well as its biggest investor in unquoted equity, is merely forming an alumni association with the name of 3i Nexus.

The move represents a change of heart. For a long time the company regarded people who left it as gone beyond the pale. But now some 200 old boys and girls have been contacted, and about half of them turned up at the first meeting: cocktails in 3i's brown glass tower by London's Waterloo station.

The association's stated aims are to organise events, sometimes with prominent guest speakers, where members can discuss topics of mutual interest. But the get-togethers will no doubt also promote the exchange of profitable gossip.

The company's alumni include some prominent figures in the increasingly competitive venture financing industry. Among them are Robert Smith at Morgan Grenfell Development Capital, Robert Drummond at Grosvenor Venture Managers, and Richard Hargreaves at Baronsmead.

But others have made the break into the wider fields of commerce and politics. Gordon (now Lord) Richardson, a former governor of the Bank of England, and Roy (now Lord) Jenkins, formerly leader of the Social Democratic party and president of the European Commission, both spent part of their early careers at 3i.



Bourges's turn

■ The French government has finally got the man it wanted at the head of the two state television stations, Antenne 2 and FR3, with the appointment of Hervé Bourges.

The new broadcasting law it passed a year and a half ago was almost tailor-made to ensure his nomination to this position, but the newly created independent broadcasting authority, the Conseil Supérieur de l'Audiovisuel, picked Philippe Guilhaume instead – principally to prove that it really was independent.

Then, the CSA went through a week-long process of auditioning the candidates. This time, it took only four hours after Guilhaume's resignation on Wednesday to agree on Bourges, who has been passing time since his failure in 1988 by running Radio Monte Carlo. Perhaps the authority decided proving its independence was less important than picking someone at least on speaking terms with the government, which picks up the bill for A2's and FR3's losses.

Even Bourges's enemies, who are many and virulent, acknowledge his abilities as a television manager, although they suggest that his real skill is politics. His four years at TF1, then still in the state sector, are widely regarded as having propelled the station to the dominant position it now enjoys, with over 40 per cent of the French audience.

The task of reviving A2 and FR3 from their current depths of demoralisation, however, is likely to be a harder one.

Cut with care

■ There is more to Jan Timmer, president of Philips, than his hard-nosed image would suggest. The executive busily trying to slim down the company's bloated worldwide operations is apparently also a caring manager who dislikes firing people, however necessary that may be.

"No one likes to break things up, especially not if it involves the loss of so many jobs," the man nicknamed Hurricane Gilbert is telling his staff through their house magazines. He describes his task of cutting up to 45,000 jobs worldwide as one of the least pleasant things a manager can be called upon to do.

But he firmly believes that he has to wield the axe, for the good of all.

The very last resort would be to split up the company, "a step that neither I nor Philips are ready to take".

Rationed

■ A Russian visitor has arrived in Oxford. On leaving Moscow she was officially advised to bring some food with her because, with her currency allowance of only £40, she wouldn't be able to afford to eat here.

On the scent of seasonal success

As recession deepens, the perfume industry is in turmoil this Christmas, says **Alice Rawsthorn**

Someone is going to get a very big bottle of scent for Christmas. Last week a man walked into Harrods' perfume hall and splashed out £1,000 on the only litre bottle of Chanel No5 in the store.

More than half of all the $9bn (£4.5bn) of scent sold worldwide every year is bought in the four days before Christmas. But behind the seasonal bustle the international perfume industry is in turmoil. Sales are falling in some countries, including the US and the UK. Yet more products are coming on to the market and the cost of launching them is higher than ever.

"The chances of success are falling at the very same time as the cost of failure is rising," says Mr Andrew Shore, an analyst with Prudential-Bache in New York. "This can not continue."

The industry's problems are rooted in its frenetic expansion during the 1980s. Almost every socio-economic trend of the decade – from conspicuous consumption to the tendency for men to lose their inhibitions about looking, and smelling, good – helped to boost fragrance sales.

This encouraged new investment in the industry. Unilever, the Anglo-Dutch consumer goods group, became the biggest single player in perfume in a series of acquisitions, including Chesebrough-Ponds, Fabergé, Elizabeth Arden and Calvin Klein Cosmetics.

L'Oréal, the French toiletries group, took over Helena Rubinstein and also backed the acquisition of Lanvin, the Paris fashion house. Mr Carlo De Benedetti, the Italian industrialist, invested in Yves St Laurent, another French fashion house. Wella, the German toiletries company, acquired Parfums Rochas of France.

Mr Bernard Arnault, the French financier, fought a bitter battle for LVMH, which owns the Christian Dior and Givenchy fragrances. He also spent $30m on launching Christian Lacroix, the first new *haute couture* house to open in Paris for a decade, and hoped to recoup his investment from the profits of C'est La Vie, the Lacroix perfume.

These investors marked their arrival with a flood of fragrances. Established players – such as Avon, Revlon and Cosmair – retaliated with their own new products.

There was a fad for designer perfumes, such as C'est la Vie, and Obsession by Calvin Klein. And there was a cult of 'celebrity' fragrances whereby an assortment of soap opera stars and pop singers, from Joan Collins to Julio Iglesias, lent their names to scents.

Whatever their appeal, successful scents are extremely lucrative. Elizabeth Taylor's Passion, launched in 1987, makes profits of $70m a year. Chanel No5 has been a best-seller since its introduction in 1923, as has Nina Ricci's L'Air du Temps which came out in 1948. Both scents still muster sales of about £50m a year.

The other best-sellers in women's scents are Guerlain's Shalimar, Christian Dior's Poison and Avon's Giorgio. The leading men's fragrances – Estée Lauder's Aramis and Cosmair's Drakkar Noir – have sales of about £25m.

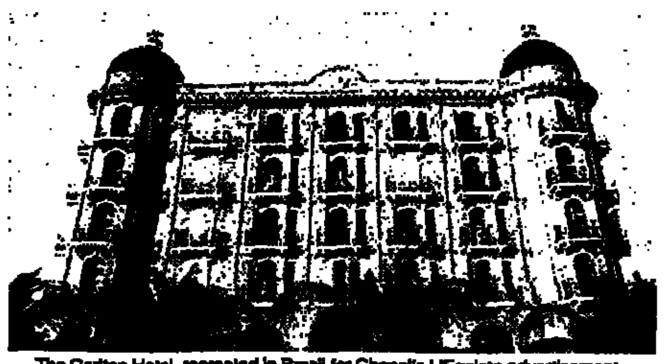
The prospect of owning another Chanel No5 inspired 120 launches in the US alone in 1988 and 59 last year, according to the Fragrance Foundation in New York. This year has produced another crop of scents, including L'Egoïste from Chanel and Lagerfeld's Photo, both for men, and Bill Blass's Basic Black for woman. Estée Lauder is working on a launch for next year as is Unilever, which plans to follow Passion with a new Elizabeth Taylor scent, White Diamonds.

"There are so many new launches that the market is tremendously cluttered," says Ms Jeanette Wagner, president of Estée Lauder's international division. "It requires enormous expenditure to break through that clutter."

The industry is now trapped in a vicious cycle of increasingly extravagant marketing programmes. Advertising budgets have rocketed. The fragrance companies pay fat fees to secure famous models for their ads. Linda Evangelista appears for Fidji by Guy Laroche, Cindy Crawford for Halston and Claudia Schiffer for Guess. At the other end of the market Paul 'Gazza' Gascoigne, the footballer, can be seen brandishing a bottle of Unilever's Brut aftershave on billboards all over Britain.

The companies also fight over fashionable film directors. Jean-Paul Goude directed the launch commercial for L'Egoïste; David Lynch made the latest Obsession campaign.

No expense is spared on the ads themselves. The L'Egoïste advertisement is set in the



The Carlton Hotel, recreated in Brazil for Chanel's L'Egoïste advertisement

Carlton Hotel, Cannes. Goude was dissatisfied with the quality of the light so he shot the ad in Brazil. It took 150 craftsmen six weeks to build a replica of the Carlton's facade on the Copacabana beach; Goude then filmed nearly 50 models over 10 days to make the 30-second commercial.

The fragrance launches are equally extravagant. Chanel commandeered the Paris Opéra for Coco. Garnier's opera house was decorated with tens of thousands of white camellias flown in specially for the night. A hundred white doves flew out of the flowers on the stroke of midnight. Not to be outdone, Mr Arnault took over the Opéra Comique for the launch of C'est La Vie this year. The glossy magazines were filled with pictures of Lacroix and his 900 guests being serenaded by the guitar group the Gipsy Kings.

It costs about $15m just for the European launch of a scent. The cost is even higher, at $25m, in the US, because the powerful store groups force manufacturers to spend heavily on retail promotion. This includes everything from employing armies of sales assistants to spray shoppers when they walk into stores, to providing free samples.

"The advertising costs are crazy," says Mr Shore of Pru-Bache. "Promotion is even worse. At least advertising generates long-term brand awareness. All promotion does is build short-term sales for the retailer. It is the cancer of the industry."

Once the launch is over, perfume companies spend heavily again to persuade people to buy another bottle of their scent in its second year. If the scent maintains its sales for a second successive Christmas it will recover its launch costs. If it not, it has probably flopped.

The success rate is shrinking. There are now so many new scents that only one in five succeed, according to Pru-Bache, compared with six out of 10 five years ago. This scenario, where products not only cost more to launch but are less likely to succeed, has raised the stakes in the perfume industry and is intensifying the pressure on smaller players.

The small companies are further handicapped by the changes in distribution. Fragrances are now sold to mainstream retail outlets, such as chemists, as well as to department stores. The large fragrance houses, such as Unilever and Revlon, have the advantage of established contacts with these mainstream outlets through other products.

This would have made life difficult enough for the small players in the days when the fragrance market was buoyant. As the market slows down, it may prove devastating.

The recession in the US, which accounts for half of the world market, has already taken a toll on sales. Scents, after all, are exactly the sort of discretionary purchases which suffer when people have less money to spend. There is still some growth in the men's market, but sales of women's fragrances have fallen this year. The UK and Australian markets are in a similar state.

Business is still resilient in continental Europe and most manufacturers are experiencing modest growth in the embryonic Japanese market. However this growth will not be sufficient to offset the slowdown in the US.

The market is also becoming more complex. The fad for celebrity scents is over. The new trend is the return of the classics. Ms Lorna McKnight, perfume buyer at Harrods, says the best-sellers this Christmas are the "old-style scents" such as Chanel No5 and Joy from Jean Patou. This means it will be even more difficult for the fragrance companies to counter the slowdown in sales growth by launching products.

"There is bound to be a shake-out," says Ms Wagner of Estée Lauder. "The industry must rationalise over the next few years. We will end up with three or four big companies and a few regional players."

There is certainly no shortage of predators prepared to pick up the casualties. Unilever is interested in small strategic acquisitions and the giant Japanese cosmetics groups, Shiseido and Kao, are said to be considering investment in fragrances.

Despite all the problems – a maturing market, ferocious competition and escalating entry costs – there is still money to be made in perfume. There probably always will be, at least for as long as someone is willing to spend £1,000 on a single bottle of Chanel No5.

LOMBARD

The UK and the ERM: setting the record straight

By Martin Wolf

THE heady days of the "British miracle" seem long past. Instead, we have recession, inflation at 10 per cent, and rising unemployment: in short, another bout of the British disease. When things go so badly wrong, someone has to take the blame. The former prime minister is the favoured culprit and her refusal to allow sterling's entry into the exchange rate mechanism of the European Monetary System in 1985 the alleged offence.

Sir Geoffrey Howe, for example, under whose determined chancellorship inflation was reduced from a peak of over 22 per cent in 1980 to below 5 per cent in 1984, remarked, in his resignation speech in the House, that the "important practical conclusion [that entry into the ERM would, in Mrs Thatcher's words, be an 'extra discipline for keeping down inflation'] has only been achieved at the cost of substantial damage to her administration and, more serious still, to its inflationary achievement.

"For, as Mr Lawson has explained, the real tragedy is that we did not join the exchange rate mechanism at least five years ago. That was, as he also made clear, not for want of trying."

Mr Lawson has, indeed, made this view clear. Writing in the FT immediately after ERM entry in October he remarked that, "no doubt the timing of ERM entry could have been better. It would undoubtedly have been better, for example, had we entered when I made my most determined effort to do so, towards the end of 1985, when UK inflation stood at the then European Community average of a little over 5 per cent and was coming down still further, and when the pound stood at some DM3.75. Had we done so, the subsequent sharp fall in sterling in 1986 would not have occurred, and we would have avoided the levels of inflation we have today."

Two questions arise.

- Would entry into the ERM at DM3.75 in 1985 have prevented the subsequent inflationary upsurge?
- Does the failure to enter the ERM explain that upsurge?

Between December 1985 and the beginning of 1987 sterling fell from DM3.75 to a low of DM2.75. This depreciation, of a little over a quarter, was widely welcomed at the time as a "non-inflationary devaluation" brought about by the collapsing price of oil. It was also the proximate cause of the subsequent economic expansion.

The question is whether ERM entry would have prevented the depreciation. One must remember the background. Unemployment went on rising until July 1986, to reach its peak of over 3.1m. Base rates were 10 per cent or more throughout 1986, while annual retail price inflation was only just over 3 per cent.

To have attempted to remain within an ERM band centred on DM3.75 would have required base rates higher than 10 per cent, perhaps hugely higher. Inflation would, without doubt, have been further reduced, but at a cost of greater increases in unemployment (or at best little decline). Growth of Gross Domestic Product, of 3.6 per cent in 1986 and 4.4 per cent in 1987, would also have been much lower.

With an election in the offing (and behind in the polls until a little while before it), would the government have been prepared to pay such a high price to keep sterling within its ERM band? It seems unlikely. The question is rather by how much less sterling would have been realigned than it was.

On this point, Mr Lawson has provided a clue. For, on March 11 1988, almost immediately after sterling was allowed to rise above DM3, Mr Lawson announced to the House of Commons (correctly, as it turned out) that any significant further rise in the value of the pound, especially against the D-Mark, was "unlikely to be sustainable". If a rate above DM3 was "unsustainable" in early 1988, one might also conclude that it is not far from the rate that the chancellor would have wished to see if sterling had been in the ERM.

The one way that the rate in March 1988 could have been significantly higher would have been if entry in 1985 had itself substantially altered the "sustainable" rate some two years later. But remember that the rise in unit labour costs in manufacturing between the last quarter of 1985 and March 1988 was, in fact, only 2.7 per cent. How much better than this could it have been with ERM entry in 1985? It is almost inconceivable that DM3.75 would have been close to a sustainable rate in 1988, following 1985 entry, if DM3 was the sustainable rate in March 1988, without entry.

Thus a large realignment would probably have occurred, something that would have also been less unthinkable at that stage of the ERM's history than it appears to be today. The exchange rate might well have ended up not far from where it did end up in mid-1988.

Did the failure to enter the ERM make the subsequent economic upsurge inevitable? The answer is "no". How can former ministers argue that mistakes are justified by their failure to obtain the prime minister's agreement to a different policy that might have prevented them from making those mistakes? They seem to be denying their own free will.

If the UK has not had the success with controlling inflation that the Bundesbank has brought to Germany, the fault lies not in our stars (and not in failure to join the ERM), but in ourselves. After all, in the longer sweep of history the UK has a better counter-inflationary record than Germany.

In the case of policy after 1985 the results have, indeed, been tragic. The UK has lost some seven years in its battle to get inflation down to the German level. Much pain will now be suffered, because the economy is further away from that goal than five years ago.

ERM entry in 1985 would neither have been sufficient to lower inflation further, nor was it necessary to that end. ERM entry was simply one route by which that end might have been achieved. What was (and is) both necessary and sufficient is a government determined, in practice, not just in its rhetoric, to achieve lower inflation and sustain that achievement. For the wasted opportunity of the mid-1980s, all those in the government who embraced the pleasures of the time must be held responsible.

LETTERS

It's not too late to steal Labour's poll tax ideas

From Mr Bryan Gould, MP

Sir, I was intrigued by Philip Stephens's report ("Revised system of rates wins Whitehall's support", December 18) that "a return to a modified version of the domestic rating system has emerged as the favoured option in Whitehall at the start of the government's review of the community charge or poll tax".

We have known for some time, thanks to Mr Nigel Lawson's candour, that this is the Treasury's view, but if support is growing throughout Whitehall for a return to a version of the rates, this is encouraging news. A fair rates system is, after all, established Labour party policy – something Mr Stephens tactfully omitted from his report.

However, it seems this new consensus has not yet reached the department of environment. The singular feature of Mr Michael Heseltine's meeting with the local authority associations on Monday was his failure to come forward with any ideas of his own for the replacement of the poll tax. His refusal to commit the government to the abolition of this unjust and inefficient tax suggests his priority is to postpone decisions until after a general election. The consultations seem to be a delaying tactic rather than a genuine attempt to find a solution.

However, it is not too late to change tack. The government could still implement Labour's carefully phased proposals for the replacement of the poll tax with a modern and fair rates system so that, without further ado, people, businesses and local authorities can be relieved of the poll tax and the injustices and costs which it inflicts. The sooner they do this, the better it will be for all.

Bryan Gould, MP
shadow spokesman on the environment
House of Commons.

Perhaps audits should go to auction

From Mr J. Dennis Henry

Sir, Recent articles by David Waller ("Labour studies plans to overhaul audit practices", and the Accountancy Column, December 10 and 13) and Barry Riley ("The long view", December 8) have examined the breadth and quality of the service provided by auditors.

Analyses have been made on another aspect of audits: their cost to shareholders, using the PE International Database. These have shown widely varying audit fees among 250 of our largest industrial and commercial plcs.

One analysis compared audit fees across all sectors. To reduce the effect of scale, the companies were placed in bands of similar size:

Sales – £m	Audit fees £ Min	Max
Over 5,000	2000	7,000
2,500-5,000	200	3,500
1,000-2,500	92	2,464
500-1,000	49	1,800
250-500	36	804
135-250	38	601

This means that what took one day to audit in one of the largest companies took seven weeks to do in another.

This analysis showed that retail companies tended to have low audit fees and engineering companies higher ones. Therefore, these two sectors were analysed separately using the cost per million pounds of sales as the criterion to show:

	£ per £m sales Min	Max
Retail	37	430
Engineers	509	1,212

Perhaps engineering companies are harder to audit than retailers, or are the retailers better buyers? Even though what took one day in one retailer needed almost 12 days in another.

One possible conclusion from the above is that some companies are much better organised to be audited than are others.

Within the largest auditing practices, there has been a large difference in their increases in fees to their clients. Their overall average increase in fees over one year was 13.2 per cent; one practice averaged only 6.2 per cent and another 21.6 per cent. In both cases this was for exactly the same clients year on year.

Further research is continuing into these variations. The results, so far, are interesting.

Should the last item at most AGMs be changed from the appointment of the auditors to the Dutch auction of the audit?

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7 Clairmont Gardens
Glasgow G3

Software copyright is a misunderstood issue

From Mr Abram E. Azagury.

Sir, I was really surprised by Paul Abrahams's article ("The exaggerated cost of software", December 4), particularly as it appeared so soon after our decision to reduce the recommended retail price of SuperCalc-5 (our spreadsheet) from £396 to £79.

One motive for our decision was our conviction that the number of units sold by ourselves (more than 3m) and on a worldwide basis (20m) has not been reflected in the price. The significant economies of scale have not been passed on to the end user.

While Mr Abrahams makes very valid points in this respect, I cannot condone as readily as he does the breaches of copyright laws by so many users. It is dangerous to oversimplify an issue to this extent, particularly when we all know that effective software protection seems to elude us.

For this reason, Computer Associates is strongly committed to pursuing vigorously, in conjunction with the Federation Against Software Theft, any breach of copyright of our products.

We believe the software copyright issue has been totally misunderstood; indeed, the recent proposal put forward at the European Commission emphasises the amount of work still needed to ensure that the software industry, which is still in its infancy, is not destroyed by large corporations.

Abram E Azagury,
Computer Associates,
183/187 Bath Road,
Slough, Berks.

Defensive response to pay talk suggestions does not help the debate

From Mr Geoffrey Hulme.

Sir, The CBI reply ("Pay bargainers should beware pitfalls of RPI", December 17) to your leader ("Adapt now or pay later", December 7) illustrates what I suspect is a British weakness: intellectual laziness combined with debating skill.

Someone makes a suggestion for helping to resolve a longstanding problem – in this case adopting a forward-looking approach to pay settlements, in order to help close a widening pay/productivity gap and to contribute to the necessary adjustment to ERM. People with key responsibilities, who might be expected to think through the suggestion and improve on it, prefer to seize on and overstate a possible weakness; potential advantages are ignored; clichés are brought out about the working of competition in the trading sector; conscience is salved by ineffectual exhortation, and complacency can continue to rule until there is a crisis.

The French, with their greater intellectual energy, have not found all the answers – and they still have higher unemployment. But they have been scoring more highly on reducing inflation and maintaining GDP growth and they did introduce a forward-looking approach to inflation. With inflation falling and the problems and opportunities of ERM 1992, switching to a forward-looking approach in the UK now could provide an opportunity which is relatively painless and nationally advantageous. Few people want to go back to rigid national pay policies (although these have worked better in Europe than generally believed) but it may still be worthwhile, as Professor Layard has suggested, thinking through national guidelines to help negotiators judge the wider effect of pay settlements.

Geoffrey Hulme,
director, Public Expenditure Policy Unit,
Public Finance Foundation,
3 Robert Street, WC2.

FINANCIAL TIMES

Friday December 21 1990

US INTEREST RATES

Chicago bank cuts prime rate to 9½%

By Michael Prowse in Washington

THE US Federal Reserve's efforts to push down interest rates bore fruit yesterday when a big Chicago bank announced a half point cut in its prime lending rate to 9.5 per cent.

The move came as the Commerce Department released a gloomy survey of investment intentions and reported weak consumption and personal income figures for November.

On television, Mr Nicholas Brady, US treasury secretary, hinted that the Fed should consider a further loosening of monetary policy.

Tuesday's cut in the discount rate to 6¼ per cent by the US central bank, Mr Brady said, could "lay the ground for further interest rate declines" which were justifed by the economic slowdown and recent federal budget cuts.

Yesterday's prime rate cut by First National Bank of Chicago, the nation's 13th largest bank, was the the first move by a big bank since January when industry-wide interest rate reductions brought the prime rate down from 10½ to 10 per cent.

First National's cut leapfrogged a quarter point cut in prime in recent days by a handful of smaller regional banks and should herald cuts by other large money-centre banks which have dragged their feet in an effort to bolster threadbare profit margins.

The prime rate sets a benchmark for a wide range of adjustable rate commercial and consumer loans. Industry-wide cuts in prime rates would reduce borrowing costs generally.

The Commerce Department said business spending on plant and machinery next year was likely to rise by only 0.4 per cent in real terms, the smallest increase in five years. This year, investment is expected to register an overall real increase of 4 per cent, despite falls of 0.6 per cent and 0.9 per cent in the third and fourth quarters.

Next year's forecast represents a sharp downward revision from the last survey in September and reflects growing pessimism within industry. It assumes an increase in capital goods prices of only 2 per cent; if inflation is higher, the real decline in investment will be sharper.

The survey suggests service sector industries are generally in better health than manufacturing. In cash terms, investment in services is expected to rise by 3.4 per cent next year against only 0.7 per cent in manufacturing. In the paper and textiles sectors, investment is set to fall by 17 per cent and 7 respectively per cent in cash terms.

Personal consumption spending fell 0.2 per cent in real terms in November, after falling 0.8 per cent in October. Personal disposable income was unchanged in real terms.

Brandt offers message of confidence in the future

By David Goodhart in Bonn

Chancellor Helmut Kohl and Parliament President Rita Suessmuth at the opening ceremony yesterday

FOR THE first time since 1932 a democratically elected all-German parliament met yesterday in the Berlin Reichstag to inaugurate the united country's new parliamentary session.

Mr Willy Brandt, the refugee from Nazi Germany who rose to become West German Chancellor, told the assembly that it stood in the tradition of the national assemblies of Frankfurt in 1848 and Weimar in 1919.

He also said that the Germans had good grounds for confidence in the future despite the problems of economic and psychological unification.

The new parliament – with 519 members from west Germany and 143 from east Germany – will, like the old West German Bundestag, be oversupplied with former teachers (106) and lawyers (100) but the absorption of east Germany has markedly increased the proportion of women (136), of priests (11) and of aristocrats (13).

One of the first things they will be voting on when they return to Bonn in the new year is where the future seat of government and parliament should be.

In the past few weeks it appears that Bonn has gained ground in the competition with Berlin, already the formal capital, and will almost certainly keep the parliament and the most important ministries for the forseeable future.

There remains less clarity on two more immediate points: the programme and personnel of the new government.

Agreement on a policy programme between Chancellor Helmut Kohl's Christian Democrats/Christian Social Union and the strengthened junior coalition partner, the Free Democrats, will have to hammered out in the week beginning January 7 because the pre-Christmas wrangles have achieved little.

Consensus has been reached on the need to cut spending on space research, the extension of the Transrapid magnetic train project to east Germany, and reducing study time for students but CDU plans to change the asylum laws and the law restricting the operation of the Bundeswehr outside Nato are still meeting resistance from the FDP.

More important, there is little consensus on how to achieve the DM35bn ($23.4bn) in savings next year required to keep the deficit down to DM150bn or on the FDP's insistence on the creation of a low-tax zone for east Germany.

On the personnel side, all three main parties – CDU, FDP and SPD – are going through something of a succession crisis as one generation gives way to the next.

Mr Wolfgang Schäuble, the crippled Interior Minister, now appears to be out of the running to succeed Mr Kohl as the next CDU leader, so close attention will be paid to the distribution of cabinet seats to spot the next favoured son.

The FDP, which will be claiming one more cabinet seat, is also in the middle of a leadership struggle with the younger generation jostling for places.

THE LEX COLUMN

A bearish growl from Russia

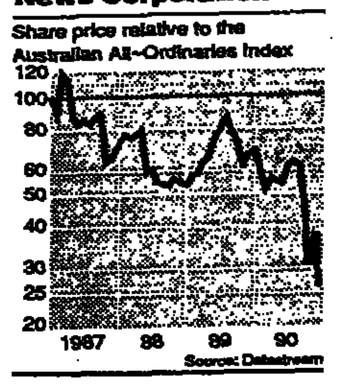
The resignation of Mr Shevardnadze is plainly of the first importance in geopolitical terms. Its importance for world markets is, as suggested by yesterday's mixed reaction, a good deal less clear. Suppose that events point at one extreme to the overthrow of Mr Gorbachev and the return to old-style authoritarianism. This might have a bearing on defence spending, the Gulf crisis, world trade and Soviet oil production. Then again, it might not.

Uncertainty is always calculated to upset the markets. In the case of recent events in the Soviet Union it deepens to outright ignorance. But if further upheaval reduces the Soviet contribution to world trade, it was never very large to begin with. If it changes the minds of Western governments on arms spending, the markets might find that more favourable than otherwise. If it reduces Soviet activity in the Gulf, one of the chief elements in Gulf politics has been the withdrawal of Soviet influence in the first place. And the willingness or ability of a changed Soviet government to contribute to world oil supplies cannot be assessed in advance.

A more rational worry for the markets is that increased uncertainty might in itself cause a westward flow of refugees, thus creating greater funding requirements of a kind which so troubled world bond markets at the start of the year. Like the Gulf, the dismantling of the Soviet empire is something the markets have contrived for long stretches to forget about. But the threat has been there all the time.

News Corporation

Share price relative to the Australian All-Ordinaries Index



Property

Great Portland's purchase of a £69m parcel of shops from Sears says several things about commercial property. The 8.2 per cent average yield on which the portfolio is changing hands underlines how far retail property values have fallen. Such yields are virtually unheard of, helping explain why the likes of British Land and some large pension funds have been buying retail assets this year. But the most interesting detail is that Great Portland is paying only £21m cash with the rest in shares and loan stock.

Assuming no sudden additional slump in values, the deal is only modestly dilutive for Great Portland, which deserves little criticism for issuing paper. With balance sheet gearing of only about 25 per cent and net rents last year of about 2.5 times interest costs, Great Portland could doubtless have borrowed the whole £68m from the banks. But given bleak near-term prospects for rental growth, it makes little sense to pay 14 per cent-plus to finance properties yielding 8 per cent. Despite the talk about vulture funds, it is hard to see many property companies buying in size until the long term fixed-rate debt market reopens. That may not happen until well into 1991.

Nordic banks

Christiania Bank and Nordbanken, the second biggest banks in Norway and Sweden respectively, are not household names outside Scandinavia. Nevertheless, their news yesterday is a grim reminder that the US, UK and Australasia are not the only areas with serious banking problems.

Christiania Bank, which had already been struggling to reach the new BIS minimum capital requirements, doubled its loan loss provisions to NKr 2.7bn($460m). By the standards of Citicorp or Midland Bank, this might not sound a lot. But it is more than the group's stock market value and equivalent to two thirds of its NKr 3.8bn shareholders' funds. Meanwhile, the president of Sweden's state-controlled Nordbanken resigned because the bank's problems are more severe than thought only a few months ago.

The surprise about Christiania is that Norway's banking problems have been visible for several years. It had already jacked up its annual provisions from NKr209m in 1985 to NKr1.3bn last year. Norway is emerging from its long recession, unlike many other countries. But the problems of its corporate sector are taking a surprisingly long time to die down. The other message is that an increasing number of wayward bankers are being asked to walk the plank for their mistakes. Perhaps it might catch on in the UK?

Electra

For an investment trust specialising in unlisted companies, Electra has turned in a polished performance. Set against 3i's provision-ridden interims, Electra's 14 per cent annual profits increase shows it has a broad portfolio capable of throwing up winners even in tough times. Roughly a quarter of its assets are exposed to the dollar and another quarter to small unquoted UK companies, so this year was always going to be tricky. Two big successes – Nimex Resources and Bricom – appear to have contributed around £13m, allowing Electra to make a substantial write-down on its property interests, principally Thamesorb, without destroying the bottom line. There may be gremlins hidden off the balance sheet, but the trust has shown a consistent ability to avoid horror stories like MFI, Magnet and Gateway.

Taking the end-September asset value and a price of 227p, the shares look fair long-term value at a discount of around 24 per cent. This is well below the discounts on similar trusts and a measure of just how out of fashion small companies remain. Investors are unlikely to chase the shares, but they should keep an eye on the discount.

News Corp

There is no dispute that TV is a powerful medium. But it is hard to believe that the mere threat of a damaging UK TV programme can knock 20 per cent off the share price of News Corporation, the owner of the world's greatest collection of media assets.

It is the group's ability to refinance itself which is the real problem. There are plenty of good businesses humming away inside News Corp. The difficulty is that it has paid too much for some of its assets and borrowed too much against them. The longer it takes to persuade 150 nervous banks to refinance the whole structure, the greater the chance of an accident.

UK recession longer, deeper than forecast

By Rachel Johnson, Economics Staff, in London

BRITAIN is in a "longer and deeper recession" than the Treasury has forecast while the government is unable to limit its severity with interest rate cuts, the cross-party Treasury and Civil Service Select Committee said yesterday.

Mr Giles Radice, an opposition Labour party member of the committee, said its report on the Chancellor of the Exchequer's 1990 Autumn Statement was a "devastating indictment of the government's management of the economy."

Mr Terence Higgins, the chairman, agreed it was gloomy but said it contained important recommendations for the government.

The report drew particular attention to the clash between the needs of the domestic economy and the constraints imposed by the UK's entry to the European Exchange Rate Mechanism.

At a press briefing yesterday, it also emerged that the majority of the committee believed the UK had joined the ERM at a rate which overvalued the pound – a mistake which was deepening the recession. It is thought this view was not included in the report because Mr Higgins considered it "electric," and a potential threat to the weak pound.

Nonetheless, it is thought that Mr John Townend, conservative MP for Bridlington, on England's east coast, won strong support with a proposal for an immediate realignment of currencies within the Exchange Rate Mechanism, in order to devalue sterling against the D-Mark. The proposal, however, was never accepted by the chairman.

Instead, the report focused on the policy dilemma imposed by ERM membership and urged Mr Norman Lamont, Chancellor of the Exchequer, to use fiscal policy to maintain economic stability.

Monetary action had been ruled out even though conditions "clearly warranted" an early cut in interest rates – cuts which Mr Lamont had refused to consider until they were fully justified by sterling's position in the ERM.

The report said Mr Lamont's stance was inappropriate given the fact that the value of sterling was so much at the mercy of market sentiment.

Operators in the foreign exchange markets could misjudge the "fundamental condition of the economy, especially when a sharp descent into recession is accompanied by a relatively slow fall in the inflation rate."

The Treasury, it pointed out, was relying on export-led growth to lift the economy out of recession in the second half of next year. This recovery would be threatened by a strong pound, collapse of the General Agreement on Tariffs and Trade and the Gulf crisis.

However, the committee expected that Treasury inflation forecast of 5.5 per cent by the end of next year would be reliable.

Mr Pierre Bérégovoy, the French finance minister, yesterday rejected the European Commission's complaints that France, along with Germany, Spain and the Netherlands, was seeking to hold up European monetary union.

France remained committed to the Emu objective of a single currency with an independent European central bank, Mr Bérégovoy said, dismissing the criticisms by Mr Jacques Delors, Commission president, as "the rustlings of Brussels". Page 3

EC environment chief attempts to put emissions tax on agenda

By David Gardner in Brussels

MR Carlo Ripa di Meana, the EC Environment Commissioner, yesterday tried to get a tax on carbon emissions and a general energy tax firmly on to the Community's "green" agenda next year.

This contentious combination appeared in a working paper circulated at last night's council of Environment Ministers due to be discussed today.

Although Mr Ripa di Meana's proposals – originally outlined in a confidential memorandum to ministers last month and jointly signed by the EC Energy Commissioner, Mr Antonio Cardoso e Cunha – are in line with overall Commission thinking, officials made clear yesterday that they did not yet represent Commission policy.

The proposals argue that while a "CO_2 tax" levied on fossil fuels according to their carbon content provides greater incentive to reduce carbon emissions, its burden would fall most heavily on coal – "the most secure energy supply" – while not affecting nuclear energy at all. Oil and gas would be less heavily taxed because of their lower carbon content.

This would affect member states differently, so what is now being floated is to combine a carbon tax with a general energy tax promoting the conservation of all energy from whatever source. Member states would have to approve the radical moves and would be left to introduce the taxes, which "in the view of the Commission... can be introduced in a fiscally neutral way."

EC environmental experts believe that the current high oil prices offer a unique opportunity to introduce such taxes once energy prices begin falling back to nearer pre-Gulf crisis levels.

● Mr David Trippier, UK junior environment minister, expressed confidence yesterday that the European Commission would "suspend" prosecution of Britain for its dirty beaches.

Mr Trippier said Mr Ripa di Meana "thinks he can recommend that the prosecution be suspended... if he is satisfied that we are doing everything we can."

Mr Michael Heseltine, UK environment secretary, told Mr Ripa di Meana on Wednesday that the UK planned to double investment into cleaning up British waters to £3bn ($5.8bn).

Shevardnadze resigns

Continued from Page 1

no such plans? Perhaps such plans do exist?"

He did not spell out exactly who he was accusing, but drew a distinction between conservatives, whom he respected because "they have their own views which are acceptable to society", and reactionaries.

As for the democratic opposition, he said: "You scattered. Reformers hid themselves in bushes."

He pledged his support for Mr Gorbachev, expressing his "deep gratitude" and adding: "I am his friend, I am of the same mind as he. I have always supported and will continue to support, until my last days, the ideas of perestroika, the ideas of renewal and democratisation."

"But I consider it is my duty to resign, as a man, as a citizen, as a Communist. I cannot reconcile myself to what is happening in our country, and the trials awaiting our people."

Dr Alexander Yakovlev, Mr Gorbachev's other closest political confidant, insisted, however, that he did not see the immediate threat of a dictatorship. "I would not jump to that conclusion", he said. "But there are signs that the ultra-right are squaring their shoulders and the glint in their eyes is brighter."

As for Mr Gorbachev, he revealed that he had been set to offer the new vice-presidency to Mr Shevardnadze, and he still planned to discuss his resignation with him. Technically, it still has to be approved by the Supreme Soviet, the standing parliament, and Mr Shevardnadze has said he will stay until a successor has been confirmed.

US expects no change in policy

Continued from Page 1

ship between our people and for developments in Europe."

Mr Hans-Dietrich Genscher, his foreign minister, appealed along with Mr Roland Dumas, his French counterpart, for an international effort to bolster Mr Gorbachev's reform program with financial aid.

"This appeal is more urgent than ever before," said Mr Genscher, while Mr Dumas spoke of the resignation as a "cry of alarm in the face of a deteriorating situation that could lead to all risks: violence and anarchy and, therefore, inevitably the temptation to go backwards to the form of an authoritarian regime."

He hoped Mr Shevardnadze's action "will serve as a warning to western countries and others who are dragging their feet over aid which must be given."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Berlin	R	2	36	Caracas	C	27	81	Faro	S	14	57	Islamabad	F	17	63
Algiers	–	–	–	Biarritz	S	3	37	Casablanca	C	15	59	Florence	S	4	39	Istanbul	C	10	50
Amsterdam	C	6	43	Bombay	S	28	82	Chicago	F	0	32	Frankfurt	Sn	1	34	Jakarta	R	31	88
Athens	C	14	57	Bordeaux	S	4	39	Cologne	R	2	36	Geneva	S	1	34	Jersey	C	8	46
Bahrain	S	22	72	Boulogne	R	7	45	Copenhagen	S	2	36	Gibraltar	F	15	59	Johannesburg	F	20	68
Bangkok	F	35	95	Brussels	F	5	41	Corfu	S	14	57	Glasgow	S	8	46	Lima	F	23	73
Barcelona	F	6	43	Budapest	S	1	34	Dallas	C	12	54	Helsinki	Sn	0	32	Lisbon	S	9	48
Beirut	–	–	–	Buenos Aires	F	24	75	Dublin	C	10	50	Hong Kong	C	20	68	London	R	7	45
Belfast	R	7	45	Cairo	S	22	72	Dubrovnik	S	11	52	Innsbruck	S	0	32	Los Angeles	S	9	48
Belgrade	Dr	2	36	Cape Town	S	25	77	Edinburgh	F	7	45	Inverness	C	6	43	Luxembourg	Sn	-1	30

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	14	57	Milan	S	-1	30	Nicosia	F	18	64	Salzburg	F	-1	30	Tenerife	R	16	61
Madrid	S	5	41	Montreal	F	-13	9	Oporto	S	9	48	San Francisco	F	4	39	Tokyo	S	9	48
Majorca	F	10	50	Moscow	S	-5	23	Oslo	S	-4	25	Seoul	F	6	43	Toronto	Sn	-5	23
Malaga	S	15	59	Munich	F	0	32	Paris	C	2	36	Singapore	T	30	86	Tunis	F	14	57
Malta	F	16	61	Nairobi	–	–	–	Peking	S	8	46	Stockholm	Sn	-1	30	Valencia	C	10	50
Manchester	R	7	45	Naples	S	11	52	Prague	F	0	32	Strasbourg	F	1	34	Venice	S	5	41
Manila	F	32	90	Nassau	F	29	84	Reykjavik	F	-6	21	Sydney	F	25	77	Vienna	C	0	32
Melbourne	C	18	64	New Delhi	S	18	64	Rhodes	F	15	59	Taipei	C	23	73	Warsaw	C	0	32
Mexico City	F	26	79	New York	S	1	34	Rio de Janeiro	C	40	104	Tangier	C	15	59	Washington	S	2	36
Miami	S	23	73	Nice	S	8	46	Rome	S	10	50	Tel Aviv	S	18	64	Zurich	S	-1	30

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 21 1990

INSIDE

Top Swedish bank chief resigns

Rune Barneus, president of Nordbanken, Sweden's second-largest commercial bank, resigned yesterday. No reason was given for Mr Barneus's departure but Nordbanken is suffering badly at the moment from mounting credit losses caused by sliding share values and the continuing crisis among Sweden's finance companies that started in the early autumn. Tony Hagstrom, the bank's chairman, said that he "deeply regretted" the decision but he added that Nordbanken – 70 per cent of which is owned by the Swedish state – had "every reason to look to the future with confidence". Robert Taylor reports. **Page 20**

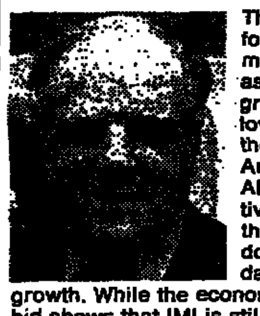
Trouble on Tobacco Road

This has been the worst year ever for Brazil's tobacco industry. Growing conditions have never been so bad, production costs are rising and Brazil's latest economic package – the "Collor Plan" – has taken a harsh toll on the industry. All this means hardship for tobacco farmers and shrinking crops at a time when demand, led by that from eastern Europe, is far greater than anticipated. **Page 29**

No seasonal cheer for Swedes

There is little Christmas cheer for Swedish investors. Having survived one of the worst years this century on the Stockholm bourse, investors are faced with a fragile and uneasy outlook. There may be long-term hope in the form of a strong government commitment to combat inflation and the public declaration that Sweden wished to join the European Community. But for the immediate future, there is little good news for investors. Robert Taylor reports. **Back Page**

IMI on the move



The hostile bid by IMI for Birmingham Mint may appear ill-advised as the engineering group grapples with lower growth, not just in the UK but in the US and Australia. But Gary Allen, IMI's chief executive, is determined that the group should use the downturn to lay the foundations for future growth. While the economy grinds to a halt, the bid shows that IMI is still on the move. Charles Leadbeater reports. **Page 26**

Great Portland in Sears deal

Great Portland Estates, one of Britain's leading property investment companies, is buying 30 properties from Sears, the UK clothing and footwear group. The purchase underlies Great Portland's view that the retail property sector will be the first to recover from the current UK recession. The deal, according to Richard Peskin, chairman (left), provides a strategic opportunity to expand and broaden the spread of the company's existing portfolio, and offers good growth potential. **Page 25**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Falls				Beghin-Say	818	–	25
Aachener Mn	655	–	35	Cogifi	369.7	–	10.2
Bayer-Hypo	305.5	–	21	Damart	1775	–	172
Dresdner Bank	358	–	13	Eurcom	653	–	32
Kaufhof	468	–	25	Spie-Batignol	375	–	19
Lufthansa	102	–	8.2	**TOKYO (Yen)**			
Metallgesell	424	–	17	**Rises**			
NEW YORK ($)				Daito Wool	1120	+	120
Rises				Taiheiyo Bank	1200	+	100
Citicorp	13⅞	+	½	Teikoku Sen-i	2650	+	450
IBM	113⅞	+	⅞	**Falls**			
Manu Hanover	23⅞	+	1⅜	Akai Electric	550	–	48
Falls				Itoman	445	–	50
Midlantic	5⅜	–	⅜	Taiheiyo Kou	506	–	49
News Corp	7¾	–	⅝				
Toy R Us	23⅜	–	⅝				
PARIS (FFr)							
Rises							
Nouvelle Gal	730	+	30				

New York prices at 12.30pm

LONDON (Pence)				ICI	886	–	24
Rises				Mang Bronze	100	–	23
Appletree	90	+	15	News Intl	115	–	9
Carlton Comms	384	+	7	Rosehaugh	77	–	10
ECC	340	+	8	Slough Ests	236	–	12
Lynx Hldgs	21	+	5	Turriff	154	–	15
Transport Dev	218	+	8	Unilever	687	–	10
Falls				Vickers	188	–	9
Cairn Energy	270	–	25	WPP	61	–	9
Courtney Pope	36	–	7	Wellcome	441	–	22
Geevor	14	–	6				
Goal Pet	83	–	6½				

Pilkington is taking a hard look at itself as BTR raises its stake, reports Maggie Urry

There was a feeling of mystification at the head office of Pilkington, in the Lancashire town of St Helens on Wednesday. When the news came through that BTR had increased its stake in the glassmaker from 3.75 per cent to 4.04 per cent, Sir Antony Pilkington, executive chairman, and his board could not figure out what the industrial conglomerate could be up to.

Four years ago, BTR bid £1.2bn ($2.3bn) for Pilkington. St Helens – the town where Pilkington was founded in 1826 by the current chairman's ancestors – threw itself behind its largest employer. Despite large-scale redundancies during the 1980s, Pilkington still employs 5,400 people in the town. To many, St Helens is Pilkington, and vice versa.

The company's head office, a blue glass tower, can be seen from all over the town. The industrial landscape viewed from Sir Antony's office is forested with Pilkington's chimneys.

Sir Antony proudly points to a piece of waste ground where the company and the local authority are clearing away Victorian chemical waste – not dumped by Pilkington – and filling in mine shafts to produce housing land.

"I believe that Pilkington is a good company in the best sense," says Sir Antony, "not just a money machine." He thinks the group has been misunderstood in the City of London. In turn, the City thinks that those in St Helens are out of touch with what investors want. One analyst goes so far as to say: "I am a bit nervous about where this company might end up in two or three years left to its own resources."

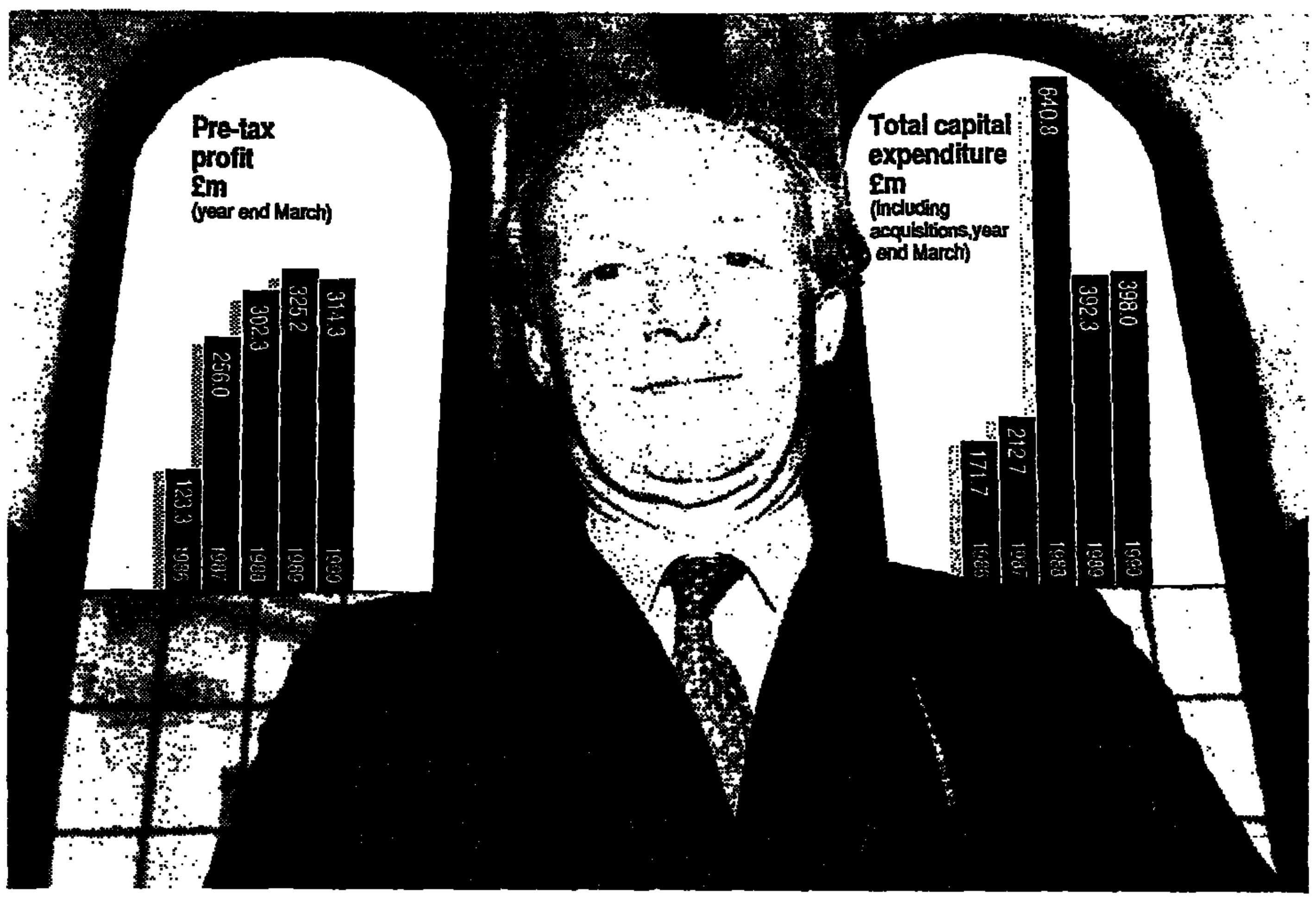
BTR dropped its bid – worth the equivalent of 180.6p a Pilkington share – in January 1987 when the glassmaker came up with a forecast of more than doubled profits. For a while after that, Pilkington's share price continued to rise, as did its profits.

But now Pilkington is looking vulnerable again. Its share price performance has been poor since mid-1987. In October that year, shareholders were invited to pay 290p a unit for new shares issued to raise cash for the £361m purchase of Revlon's eye care business.

Profits slipped in the last financial year. This year they are expected to slump to less than £200m pre-tax, and drift lower again the year after.

Earlier this month Pilkington reported sharply lower interim profits – down from £147.1m to £103.2m at the pre-tax level. Since then, its share price has risen as analysts suggested that the group was once again "in play". Yesterday shares closed at 180p, up 25p since the interim announcement.

Buying a few shares in the market would seem an odd way for BTR to go about reviving its bid. Perhaps, say some in the City, BTR is really hoping to flush out another bidder for Pilkington.



Sir Antony Pilkington: "I believe that Pilkington is a good company in the best sense, not just a money machine"

Glassmakers forced to reflect

So why should anyone want to take over Pilkington and how strong are the company's defences?

Pilkington is the world's largest maker of flat and safety glass for the building and automotive industries, with 20 float plants around the globe. It has strong positions in many large markets – 55 per cent in the UK, and substantial shares in the US, Australia, Germany, South Africa, Brazil and Argentina. Making glass is a capital intensive, continuous process and the profit record is inevitably cyclical.

Over the last few years – largely since the BTR bid – the group has spent heavily on updating its assets, and is about to complete two new float lines in the UK and Germany. This means that no further new capacity will be needed for a while.

Pilkington is a technical leader, known for its sizeable spending on research and development.

The group's success was built on the invention of the float glass process by Sir Alastair Pilkington in 1959. This method of manufacture – where the molten glass is floated on a bath of molten tin – was far superior to the old sheet process where molten glass was drawn up vertically.

Pilkington has three new products or processes which Sir Antony believes could be as important as the float glass revolution: first, K glass, used in double glazing to give a much greater degree of insulation than ordinary glass; second, EZ-Kool glass developed in the US for the automotive industry. This reduces the transmission of both ultra-violet and infra-red light; and third, Pilkington techniques for bending and forming glass for the modern, aerodynamic shapes of cars.

Between its existing assets and its new products Pilkington would appear to have a bright longer-term future, despite the poor short-term outlook for earnings.

But the City has heard "jam tomorrow" promises before and it has not seen much of a return on the £1.6bn spent since the BTR bid.

Sir Antony divides the group's problems into two categories. Into the first he puts the recession that has hit many of its world markets. "You cannot make returns in a recession," he says.

The company can do little more than strive to be the lowest-cost producer in its markets and control its float glass capacity by careful planning of when it closes plants for repair. It must also drive the business hard for cash, cut working capital, sell peripheral assets and keep capital expenditure down.

The rise in sterling which has hit profits on translation is also outside the group's control, although Pilkington hopes that entry into the Exchange Rate Mechanism will mean more stability in the European currencies.

In the second category, Sir Antony puts the problem areas which Pilkington must address quickly. The biggest of these is the highly-priced acquisition of the Revlon contact lens business in 1987, intended to complement the group's existing spectacle lens business. A sudden upset in the US contact lens market meant that instead of growing at 10 per cent a year, it dropped sharply, as did Pilkington's profits from the business.

Over the next few months, Pilkington will decide whether to stick with contact lenses and several smaller businesses or sell them.

Sir Antony admits that Pilkington must take the same hard look at its loss-making or less profitable businesses as a predator would. But he will not speculate on how far a successful bidder could revive short-term profits by measures such as cutting research and development without damaging the group's longer-term prospects.

The group's directors agree that "we are running the business in the most balanced way we know for the benefit of the shareholders".

The question may soon be asked, however, whether Pilkington's shareholders would take the same view if a bidder put a large cash offer on the table.

Pru-Bache losses to hit $250m for year

By Martin Dickson in New York

THE PRUDENTIAL, the largest insurance company in North America, yesterday revealed that its Prudential-Bache securities subsidiary would lose some $250m this year and that it would be pumping more than $200m of new equity into the firm, which is in the throes of a significant restructuring.

Pru-Bache, one of Wall Street's larger firms, is among numerous securities houses hit hard by shrinking markets or poorly-executed moves into new areas. The 1990 loss is higher than the $100m some analysts had been expecting and also follows a loss of $51m in 1989.

The company said the losses were due to four businesses – investment banking, limited partnerships, risk arbitrage and Canadian operations – which it had cut back or got out of during the past year.

The firm announced last month that it was slashing its investment banking operation from about 180 professionals to about 60 – a move which marked the end of an ill-starred attempt by Mr George Ball, the Pru-Bache chairman, to build the company into a first-rank, all-service investment bank.

It has also cut down on limited partnerships – pools of money used to buy property – which have suffered a plunge in values and brought the firm embarrassing publicity. Pru-Bache's Canadian operations were sold in July.

The firm now intends to concentrate on its core retail brokerage and mutual fund activities, which it said were both profitable in 1990, and on capital markets operations alongside a "more focused" investment banking side.

The Prudential is buying Pru-Bache's "merchant banking" assets – investments on the firm's own account, mainly in leveraged buy-outs – and is also taking on its interest and currency swap portfolios.

A Pru-Bache spokesman said this was an organisational move, reflecting changes in these markets and the fact that the Prudential had a great deal of expertise in the areas.

The $600m of merchant banking assets, being sold to the parent at net book value, was not a "troubled loan portfolio," he added.

Prudential's addition of $200m in new equity comes despite the fact that even after the 1990 losses Pru-Bache's capital base is said to be "well in excess" of the regulatory requirement, which is about $1.1bn.

News Corp shares fall on debt restructuring worries

By Tim Blue in Sydney and Stephen Fidler and Raymond Snoddy in London

SHARES in News Corporation, the Adelaide-based international media concern controlled by Mr Rupert Murdoch, fell by 20 per cent yesterday on the Australian Stock Exchange. They dropped to a five-year low of A$4.35, from the previous day's close of A$5.44.

Later, its shares fell 42p, or 19.5 per cent in London to close at 173p, while in New York the group's American depositary receipts (ADRs) slipped $⅝ to $7¾ by lunchtime.

The price falls were in response to continued concerns about the group's debt restructuring and worries over a programme due to be shown last night on Channel 4 television in the UK, which raised questions about several deals in the group's shares involving either Mr Murdoch or an investment company he owns.

The documentary looked at the financial structure of Mr Murdoch's multi-media business, its debt and use of offshore tax havens. It also targeted specific share deals involving the purchase of options in News Corp shares by Mr Murdoch and the sale of shares by his investment company, Kayarem.

Earlier in the day, Mr Peter Chegwin, News Corp finance director, said the group knew of no reason for the recent slump in its share price, and was "very pleased" with progress on its debt rescheduling proposals.

His statement was in reply to an Australian Stock Exchange query after the group's share price fell to A$4.20 in the morning on the local market. Mr Chegwin said a large majority of banks and other lenders to News Corp had already indicated agreement to the terms of the group's proposals to refinance almost A$9bn (US$6.9bn) in debt.

Bankers familiar with the News Corporation restructuring said some banks previously resisting the accord had now agreed, but others still wished to be repaid. Many have stipulated that their agreement is dependent on other banks not being paid back.

The agreement is necessary because the company is not expected to be able to refinance by raising new loans for the more than US$2bn in debt maturing next year. There is no deadline for completion on the agreement, which looks increasingly likely that it will not be completed until next year. But every day that passes increases the risk that a bank with maturing debt will not agree to roll over the loan for another period.

The Channel 4 programme also looked at how News Corp has used tax havens to avoid tax, perfectly legally, on the sale of Reuter shares, and how last year the group paid tax of less than 3p in the pound on its worldwide profits.

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ECC gets go-ahead for US deal

By David Owen in London and William Dullforce in Geneva

THE US Justice Department is to allow ECC, the leading English china clay group, to take over only the lion's share of Georgia Kaolin, the US china clays producer that it had agreed to buy lock, stock and barrel from Asea Brown Boveri (ABB) for $520m.

Excluded from the deal will be Georgia's Dry Branch plant and reserves which contributed about 14 per cent of the company's pre-tax profits in 1989. The revised cost of the transaction will be $340m.

The amended deal will substantially enhance ECC's US presence, taking it full-bloodedly into production of standard coating and filler clays, as opposed to the calcined, delaminated and high-brightness clays in which its existing US businesses specialise. In undivided form, Georgia is one of the two largest US china clay producers with a market share of some 25 per cent.

Mr Andrew Teare, ECC chief executive, said yesterday that he was "extremely happy" with the revised transaction, asserting that the group was "achieving the long-term strategic benefits we had in the original deal for a very much lower consideration."

He said that there was no particular downside to the amendments which will leave annual capacity of 800,000 tonnes in ABB's hands. The group's shares echoed this sentiment, advancing 8p in a declining market to 340p.

The company, which is the world's largest china clay supplier, is experiencing difficult times, having last month reported a 42 per cent decline to £86.4m in annual pre-tax profits. It recently announced plans to pull out of housebuilding over the next three to four years.

In the longer term, ABB intends to look for another buyer for Dry Branch, which will have estimated 1991 revenues of $80m. The Georgia sale was one of three disposals of non-core companies planned by ABB, following its $1.6bn acquisition of the US group Combustion Engineering in November 1989. So far, it has recouped $490m of the purchase price through divestments.

INTERNATIONAL COMPANIES AND FINANCE

Christiania sees record loan losses of NKr2.68bn

By Karen Fossli in Oslo

CHRISTIANIA, Norway's second biggest bank, yesterday forecast record losses on loans and guarantees for 1990 of NKr2.68bn (US$461m).

Christiania said that internal and external audits of its loan portfolio revealed credit losses would double from NKr1.32bn in 1989.

The bank is working on an austerity plan to cut costs after plunging into a net loss of NKr123m at the eight-month mark compared with a net profit of NKr438m in the same period in 1989. The plan will be presented on January 4 with the aim of reducing costs by several million krone and reducing staff significantly.

Christiania's troubles, however, are symptomatic of the condition of Norway's banking system. For four years Norway's banks have suffered big credit losses because of a downturn in the country's oil-dependent economy, which was hard hit in 1986 by a plunge in world oil prices.

A depression which followed exacerbated deteriorating commercial operating conditions and forced record levels of bankruptcies which continue to have a negative effect on the banks' loan portfolios.

Den norske Bank (DnB), Norway's biggest bank, formed from a merger between Bergen Bank and Den norske Creditbank (DnC), in 1989 reported combined credit losses of NKr3.22bn, up from NKr2.99bn the previous year, in spite of improved operating performances.

However, Christiania explained that the majority of its credit losses relate to customers with a long-term relationship with the bank.

"During the third four-month period some larger loans have also become non-performers. Also, the portfolio of loans to less developed countries has been written down to estimated market value," the bank explained further.

At the end of the second four-month reporting period, 15 per cent of non-performing loans to retail banking customers were taken as loan losses, up from 10 per cent in the first four months of this year. However, the bank said that most of the forecast 1990 credit losses are estimated and not yet proven.

Nedlloyd may make placement

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport and energy company, confirmed yesterday that it may make a private placement of convertible preferred shares, saying the move was one of several forms of financing currently being explored.

The company was responding to a newspaper report which said that Amsterdam-Rotterdam Bank had approached institutional investors about a Fl 60m (US$35.7m) private placement of Nedlloyd shares, which would expand the company's share capital by 9 per cent over a five-year period.

The report, in the financial daily Het Financieele Dagblad, helped push Nedlloyd's share price down by Fl 2.50 to Fl 35 on a weak Amsterdam stock exchange yesterday.

Nedlloyd declined to comment on the precise terms of the share placement. It did say, however, that the preferred shares, if placed, would be issued by a financing subsidiary. These shares would be then convertible at the end of five years into Nedlloyd ordinary shares.

It said further details would be released when a definite decision had been taken.

The group, which is forecasting a 1990 loss, said last month that it may open its upstream energy division to outside investors as a way of raising the funds needed to invest in the division's expansion.

Continental in court setback

CONTINENTAL, the German tyre company which is trying to ward off a merger approach from Italy's Pirelli, yesterday suffered a setback in its attempt to strengthen restrictions on the voting rights of shareholders as a protection against predators, writes Andrew Fisher in Frankfurt.

A Hanover district court upheld an appeal by a shareholder against a decision at the 1989 annual meeting which would have raised the majority needed to overturn the 5 per cent voting restriction from 51 to 75 per cent.

Fiat signs deal with Ford

By John Griffiths

FIAT and Ford have signed final agreements to combine their international tractor, farm and earth-moving equipment activities into a joint venture with 31,000 employees and annual sales of US$5.1bn (£2.65bn).

The new company, still unnamed, will be 80 per cent owned by Fiat and 20 per cent by Ford, which is also to receive a cash payment of undisclosed size from Fiat.

It is to have its corporate headquarters in London, marking the first time in the Italian industrial group's 90-year history that a main sector of its business will be managed from the UK.

The new company will incorporate Ford's tractor-making operations at Basildon, Essex, where 3,500 people are employed.

Fiat is also believed to have an option to purchase the remaining Ford's stake within four years.

The combined company will rank joint second in the world alongside J.I. Case of the US. The world market leader, John Deere, also of the US, has annual sales of $6.2bn.

Nordbanken president resigns as losses mount

By Robert Taylor in Stockholm

MR Rune Barneus, president of Nordbanken, Sweden's second largest commercial bank, resigned yesterday.

Mr Tony Hagstrom, the bank's chairman, said that he "deeply regretted" the decision but he added that Nordbanken – 70 per cent of which is owned by the Swedish state – had "every reason to look to the future with confidence".

The reason for Mr Barneus's departure was not explained but Nordbanken is suffering badly from mounting credit losses caused by sliding share values and the continuing crisis among Sweden's finance companies.

The bank announced in November that it was being forced to cut the operating profit forecast for this year by 37 per cent to SKr2bn (US$357m) from an earlier prediction of SKr3.3bn because of its credit losses which have mounted to an estimated SKr3bn.

Nordbanken has been a big lender to Nyckeln, Mobilia, and Obligentia which are among the main casualties so far in Sweden's finance company sector.

At the same time the bank has faced troubles resulting from the merger of state-controlled PK Banken with the old Nordbanken, agreed in December 1989 and accomplished earlier this year, that created the conglomerate.

The new Nordbanken was forced to reserve SKr650m to meet feared losses from loans made by the old Nordbanken, acquired by the state-owned PK Banken for SKr5.6bn in early December 1989 and merged into the new conglomerate earlier this year. At the end of August Nordbanken announced it was reserving SKr1.7bn to meet feared credit losses.

The bank's share price has fallen by half since August.

It was stressed yesterday by Nordbanken that Mr Barneus left bank of his own free will but it does appear he had lost the support of many of the board and perhaps more importantly the Ministry of Finance.

Go-ahead expected for Dunlop to buy French bed maker

By William Dawkins in Paris

DUNLOP FRANCE, the tyre company owned by Sumitomo Rubber of Japan, is expected to be given the go-ahead by the French government to buy Tréca, France's last remaining independent maker of beds.

Tréca yesterday confirmed that the French finance ministry was about to make its decision on whether the Sumitomo offer should proceed, but declined to comment further. It is understood that the purchase price is in the region of FFr500m (US$99m) and that Dunlop France is interested because of the match between Tréca and Dunlopillo, its own producer of beds.

Sumitomo, which acquired Dunlop's ailing French tyre business six years ago, has been bidding against a rival French company, Dumeste, the country's leading producer of car seats. However, Tréca's management and family shareholders preferred the firmer Japanese bid, against Dumeste's arguments for keeping Tréca in French hands.

It is thought unlikely that the finance ministry will veto the deal, given the government's increasingly liberal attitude to foreign acquisitions.

Early last year, the government blocked a takeover by 3M, the US industrial conglomerate, for Spontex, the leading French maker of household sponges. But since then, it has shown itself more open and given the green light for a series of large foreign takeovers in the electrical engineering and paper industries.

Gist-Brocades sells unit

By Ronald van de Krol

GIST-BROCADES, the Dutch biotechnology company, has agreed to sell its pharmaceuticals division to Yamanouchi Pharmaceuticals of Japan for an undisclosed price.

The division, with annual sales of Fl 240m (US$141m) and a workforce of 1,000 people, gives Yamanouchi its first significant access to the European market for prescription drugs.

Apart from three production facilities in the Netherlands and Italy, Gist-Brocades's pharmaceutical operations also include a sales network covering all the main countries of Europe.

Gist-Brocades, which first disclosed in October that it was in discussions with Yamanouchi, said it was selling its pharmaceuticals divisions in order to concentrate on its core businesses.

The Delft-based company is the world's largest producer of both yeast and bulk antibiotics and the second-biggest manufacturer of enzymes.

It said its pharmaceuticals division, which makes drugs that combat ulcers, vascular disease and skin infections, was too small on its own to support expensive research into new products.

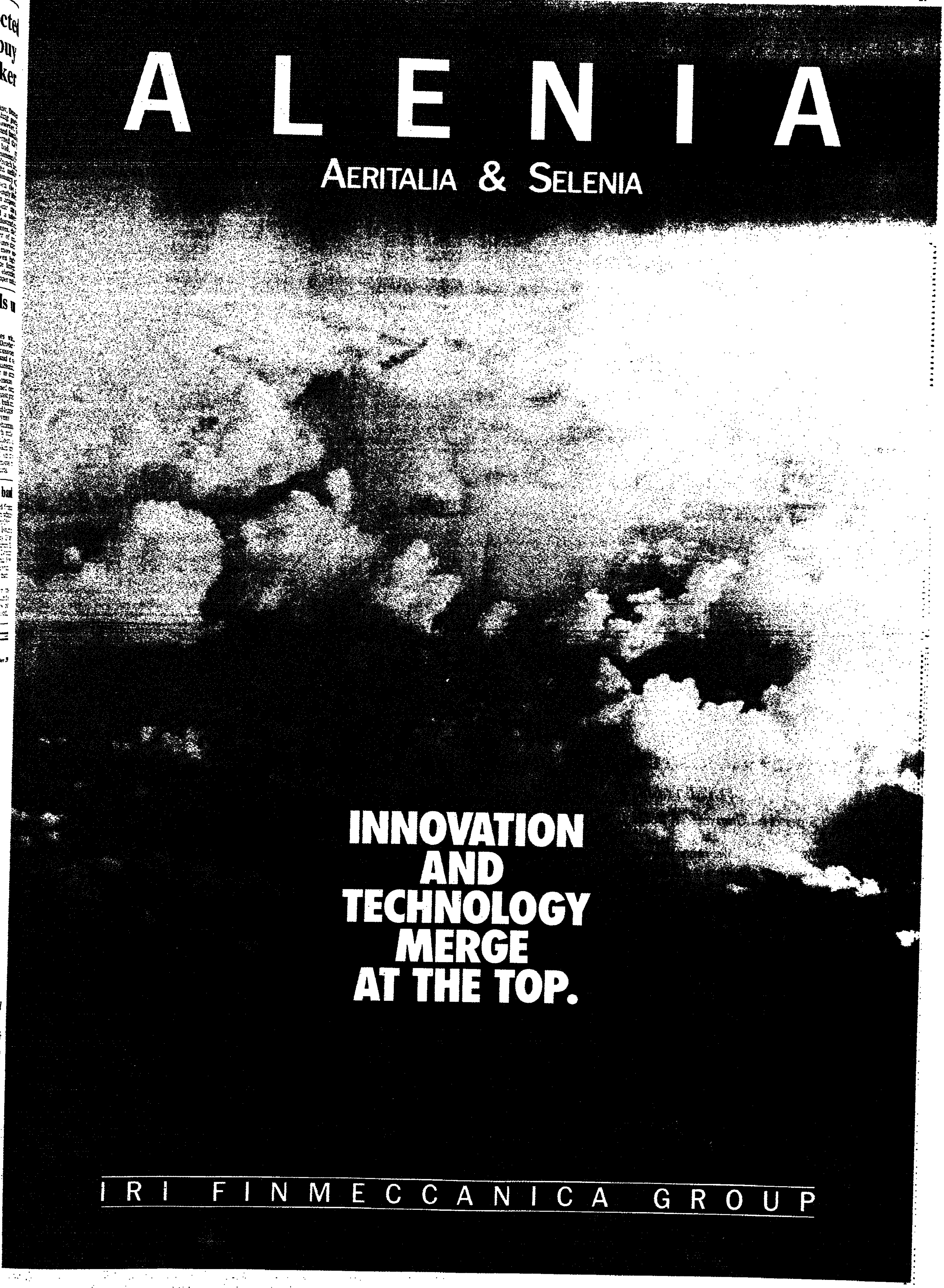
Ferfin takes first steps in banking

FERRUZZI Finanziaria (Ferfin), the quoted holding company controlling the Ferruzzi group's activities, plans to make its first big step into banking following a series of agreements with Italy's Monte dei Paschi di Siena bank, writes Haig Simonian in Milan.

The bank's board has agreed to sell a 14 per cent stake in Italian International Bank, a London-based investment banking group, to Ferruzzi and Isvim, a quoted financial holding company in which Ferfin is a major shareholder.

Ferfin and Isvim are also planning to buy 10 per cent of Credito Lombardo, Monte dei Paschi's small Lombardy-based retail bank, and 5 per cent of Centrofinanziaria, a small Italian merchant banking group.

No price for the sale has been revealed, and a number of detailed points remain to be negotiated, according to Ferfin.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INTERNATIONAL COMPANIES AND FINANCE

A bleak, harsh Christmas in store

Karen Zagor looks at the precarious financial position of Macy

Five years ago the champagne flowed freely at R.H. Macy as management ushered in a new year and a new era in American business by celebrating plans for the first big leveraged buy-out in US retailing.

This winter the voices of doom grew so loud that Mr Edward Finkelstein, the company's highly respected chairman, took out a full-page advertisement "to debunk a few of the most outrageous statements by so-called experts".

The latest rumours of bankruptcy were prompted by reports that the company had doubled its first-quarter underlying net loss to more than $86m on sales which fell 9.5 per cent to $1.55bn.

Given the weak US economy and falling consumer spending. Macy is not expected to turn a profit for the rest of the 1991 fiscal year and there were fears a second miserable Christmas could break the company.

Recent news that investors have agreed to subscribe for $119m of new preferred stock in Macy's private equity offering and an affiliate of Sir Run Run Shaw had agreed, in principle, to subscribe for a further $25m of stock have soothed some concerns, although the subscription fell short of the $150m Macy said it had planned to raise last month. But the company's financial footing is still far from sure.

Macy occupies an important spot in the annals of Americana.

Macy: occupies an important spot in the annals of Americana

The business was started in 1858 by Mr Rowland Macy, a Nantucket native. His haberdashery store on 14th street in New York totted up about $11.06 in sales on the first day. In 1902 the store moved to Herald Square on Broadway and 34th Street where it occupies eleven floors and nearly an entire city block.

By 1974, when Mr Finkelstein was called in from Macy's California operations to revive the New York business, Macy was the largest retailer in the metropolitan area, but the flagship store resembled a bloated bargain basement and profits were slim. Mr Finkelstein could not clean up the sleazy neighbourhood, but he is credited with restoring the marble, magic and profitability to Macy's.

Sixteen years later, he has been goaded into declaring: "No miracles on 34th Street are required this Christmas. This season will not make or break Macy's. We expect it to be slow and we are prepared for it."

Macy is one of the best-run US retailers. And Mr Finkelstein is widely regarded as a retailing wizard. So how exactly did Macy get into so much trouble?

Some date the company's problems to the original LBO, when Mr Finkelstein decided to take the company private in a management-led $3.6bn or $70-a-share deal. The price was nearly three times book value and 19 times historical earnings. Using high-yield "junk" bonds to finance a takeover was then considered an exciting new financial instrument. The move was designed to liberate management from the constant surveillance of Wall Street and to encourage corporate loyalty by giving senior management a stake in the company.

By August 1987, the company had returned to profitability, far earlier than expected, turning in pre-tax income for the year of $59.6m on revenues of $5.2bn and whittling down debt to $2.8bn.

But in March 1988 Macy embarked in a bidding war for Federated Department Stores which has contributed to many of its present woes.

If Mr Finkelstein had succeeded in his $6.2bn bid for Federated, owner of the Bloomingdale's chain, he would have been the undisputed king of New York retailing. But, after Macy helped push the price of Federated from an initial offer of $47 a share to $73.50, Bloomingdale's and the bulk of Federated went to the Canadian real estate mogul Mr Robert Campeau for an unprecedented $8.8bn. Macy ended up with Federated's California divisions, and an extra $1.4bn of debt, swelling the company's annual interest bill by about $150m.

By the end of the 1988 fiscal year, Macy was deeply mired in the red, turning in a fourth-quarter net loss of $106m and a pre-tax loss for the year of $61.8m. Although the company's pre-tax loss narrowed to $47.1m in 1989, one year later it surged to $293.8m.

Macy's main operating blunder came last Christmas, when the company went into the season laden with large inventories at a time when several highly leveraged companies were struggling to survive. The result was an industry-wide discounting frenzy as these stores tried to generate cash. Macy's profit margins were hit particularly hard.

Although Macy had prevented Campeau from becoming the dominant retailer in New York, Federated was almost crippled by the interest payments on the huge debt it had taken to cover the purchase price. Federated filed for bankruptcy protection earlier this year.

Macy's has learned from the bitter lesson of last Christmas and, according to Mr Finkelstein, this year inventory has been slashed by $650m from a year ago.

The company has also taken a number of steps to correct its financial position. In addition to the new equity injection, Macy has an agreement in principal to sell its credit card division for $100m to GE Capital, one of Macy's largest shareholders. The planned sale would relieve Macy of the unit's $1.5bn in debt.

Macy's will use the proceeds to buy back its subordinated debt, which help reduce its interest costs, which was about $716.8m in 1990.

Macy's has said that, after making its $68m debt principal payment later this month, it will be cash positive and have $475m of excess bank borrowing capacity. However, Standard & Poor's recently placed about $2.5bn of Macy's subordinated debt on credit watch with negative implications.

The most immediate worry is that Macy's factors will stop guaranteeing the company's credit and suppliers will stop shipping goods, which would quickly kill the company's business.

For the moment, Macy is paying its bills and the fear of alienating a big customer has prevented any interruption in deliveries.

Even if this Christmas is particularly harsh for US retailers, Macy's survival into the New Year seems fairly certain, provided the asset sale goes ahead as planned. But if the US recession becomes a depression, Macy may not survive.

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INTERNATIONAL COMPANIES AND FINANCE

AT&T to tie up deals for shared ownership of Unix

By Martin Dickson in New York and Alan Cane in London

AMERICAN Telephone & Telegraph is expected to tie up deals early next year to sell off between 20 and 40 per cent of its Unix computer operating system group to computer companies worldwide.

The move is seen as an attempt by AT&T, which invented the increasingly popular system, to deflect industry criticism that its total ownership of Unix gives it an unfair advantage over competitors.

Operating system design is important because it determines what kind of software can be run on a particular computer. Ownership of an industry-standard operating system design can give a company a significant advantage over competitors, which have to follow its lead in developing new products.

Unix looks set to become the industry standard operating system for small and medium-sized computers worldwide and is a key element in the move to "open systems" which is transforming the computer industry.

AT&T first raised the idea of sharing ownership two years ago, at the time when a rival group, led by International Business Machines, set up its own organisation to develop software based around Unix called the Open Software Foundation. IBM's move was a direct response to moves by AT&T and Sun Microsystems, a fast-growing and aggressive computer manufacturer, to establish its own version of Unix as the industry standard.

The OSF released its first version of Unix, called OSF 1, last autumn.

A dozen, or possibly more computer companies, from the US, Japan and Europe, are likely to take shares of from one to four per cent in Unix System Laboratories, the AT&T subsidiary which develops and markets the operating system. Japanese companies believed to be involved include Fujitsu, NEC and Toshiba ,which are already in the AT&T Unix camp. Japanese computer companies, however, have little experience of Unix or open systems.

An AT&T spokesman confirmed the company had been talking with a number of companies about sharing ownership of Unix.

Moody's cuts Revlon debt rating

By Karen Zagor in New York

REVLON Group, the big US cosmetics and health care company which was taken private in a $1.83bn hostile takeover by the New York corporate raider Mr Ronald Perelman in 1985, yesterday had its debt ratings reduced by Moody's Investors Service, reflecting the company's reduced financial flexibility.

Moody's cut its ratings on Revlon Group's subordinated debt to Caa from B3 and its debt ratings of the Revlon Inc subsidiary to B2 from B1, affecting about $828m in long-term debt.

According to Moody's, Revlon is competing against players with significantly greater resources in a highly competitive global beauty and cosmetics industry. "The downgrade of Revlon Group's subordinated debt is reflective of its holding company status and the senior debt rating change at Revlon Inc, its operating company subsidiary," Moody's said.

Although Revlon has reduced some of the debt it acquired during the 1985 leveraged buy-out through a series of asset sales, "subsequent debt-financed acquisitions have continued to increase debt loads", Moody's said.

"Operating cash flows have remained stable but are insufficient to meet debt service requirements without additional asset sales. Moody's believes that additional asset sales will likely result in lower margins and reduced operating cash flow."

Moody's said yesterday that Revlon and Revlon Group "have limited financial flexibility and both will require significant debt refinancing beginning in 1992".

Jardine units win Australian listing

By Angus Foster in Hong Kong

JARDINE Matheson, the Bermuda domiciled trading group controlled by the Keswick family of the UK, is continuing its strategy to stress its international rather than Hong Kong links and yesterday announced that three key subsidiaries have been given approval to list on the Australian stock exchange.

Hongkong Land, one of the colony's largest landlords, retailer Dairy Farm and hotels chain Mandarin Oriental have all been admitted to the exchange and dealing in the companies' shares is expected to begin at the end of this month.

The Jardine group has made a series of moves this year to list on overseas stock exchanges and issue American depositary receipts. Jardine executives said there was demand for the group's shares among overseas investors but also admitted they were preparing an "insurance policy" in case things went wrong once Hong Kong returned to Chinese sovereignty in 1997.

Earlier this month Jardine, making its most open threat yet, warned it may delist in Hong Kong if large Hong Kong companies with international assets are not given an "exempt listing" status by the Hong Kong stock exchange. This would free companies from Hong Kong's regulatory control but allow their shares to continue to be traded.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on December 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	101¾	+⅛	8.21
ALBERTA PROVINCE 9 3/8 95	500	103½	103⅞	-⅛	8.45
AUSTRIA 8 1/2 00	400	98⅛	98⅝	-½	8.78
BANK OF TOKYO 8 3/8 96	100	97⅝	98⅛	-⅛	8.94
BELGIUM 9 1/8 92	400	101⅛	101⅝	-⅛	8.36
BFCE 7 3/4 97	150	96⅛	96½	-⅛	8.57
BNP 8 5/8 94	300	101⅛	101⅝	-⅛	8.23
CANADA 9 96	1000	103	103⅜	-⅛	8.25
CARCO 9 1/4 96	650	98⅞	99⅜	+⅛	9.49
CCCE 9 1/4 95	300	103⅛	103½		8.32
COUNCIL EUROPE 8 96	100	97⅞	98⅛	-⅛	8.47
CREDIT FONCIER 9 1/2 99	300	103⅞	104⅛	-⅛	8.80
DENMARK 0 98	250	52⅝	53⅛		8.78
DENMARK 8 1/4 94	150	99⅞	100⅛	-⅛	8.31
ECSC 8 1/4 96	193	98⅞	99⅛	-⅛	8.49
EEC 7 1/4 93	250	98⅝	99	-⅛	7.93
EIB 7 3/4 96	250	97⅛	97½	-⅛	8.40
EIB 10 97	250	106⅜	106⅞	-⅛	8.63
ELEC DE FRANCE 9 98	200	101⅞	102⅛	-⅛	8.65
EUROFIMA 9 1/4 96	100	102⅞	103⅛	+⅛	8.56
EXPORT DEV CORP 9 1/2 98	150	103⅛	103⅝	-⅛	8.85
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝	-⅛	8.52
FORD MOTOR CREDIT 9 1/2 93	300	101⅛	101⅝	-⅛	9.01
GEN ELEC CAPITAL 9 3/8 96	300	96	97	-7⅛	10.34
GMAC 9 1/8 96	200	100½	101	+1⅛	8.98
HALIFAX 9 1/2 93	200	102⅛	103⅛	-⅛	8.48
IND BK JAPAN FIN 7 7/8 97	200	94⅛	95⅛	-⅛	8.98
INTER AMER DEV 7 5/8 96	200	95⅛	95⅝	-½	8.67
ITALY 8 1/2 94	1500	100⅞	101⅛	-⅛	8.21
JAPAN DEV BK 8 94	150	99⅛	99⅝	-⅛	8.23
KANSAI ELEC PWR 10 96	350	104⅜	105	-⅛	8.90
LTCB 8 5/8 93	150	100	100⅛	-⅛	8.59
NIPPON CRED BK 9 3/4 93	150	102⅞	103⅛	-⅛	8.58
NIPPON TEL & TEL 9 3/8 95	200	103⅛	103⅝	+⅛	8.44
NORDIC INV BANK 9 93	200	102	102⅝	-⅛	8.06
ONTARIO HYDRO 11 5/8 94	200	108⅞	110⅛	-⅛	8.50
OSTER KONTROLLBANK 8 1/8 93	200	100⅛	100⅝		7.91
PETRO-CANADA 7 1/4 96	200	94⅞	95⅛	-⅛	8.58
QUEBEC HYDRO 9 3/4 98	150	102⅞	103⅛	-⅛	9.23
QUEBEC PROV 9 98	200	100	100⅝	-⅛	8.98
SAINSBURY 9 1/8 96	150	101⅛	101⅝	-⅛	8.83
SAS 10 99	200	101⅜	102⅛	+⅛	9.69
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅛	102½		8.51
SWEDISH EXPORT 9 5/8 93	300	103	103⅛		8.04
TOKYO METROPOLIS 8 1/4 96	200	98⅝	99⅛	-⅛	8.55
WORLD BANK 8 3/8 99	1500	99	99⅛	-⅛	8.72
WORLD BANK 8 3/4 97	1500	101⅞	101⅞	-⅛	8.55
XEROX CORPN 8 3/8 96	100	96½	97½	+2⅛	9.17

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96⅝	-⅛	9.04
AUSTRIA 6 98	400	83⅛	84	-⅛	9.14
CNT 6 1/8 98	200	83⅝	84	+⅛	9.11
CREDIT FONCIER 6 3/4 99	500	86⅛	86½	-⅛	9.18
DEUTSCHE BK FIN 5 5/8 96	750	86⅛	86⅝	+⅛	8.91
EEC 5 3/8 93	300	93⅛	93⅝		9.15
EIB 6 1/8 96	300	87½	87⅞	-⅛	9.08
EIB 6 7/8 95	300	94	94	+1⅛	8.41
EUROFIMA 6 1/4 98	400	84⅛	84⅝	+⅛	9.21
FELDMUEHLE FINANCE 8 99	200	92	92	+⅛	9.35
FERRO DEL STAT 5 3/8 93	500	93⅛	93⅝		9.09
IND BK JAPAN FIN 5 5/8 96	200	84⅞	84⅞	+⅛	9.43
INTER AMER DEV 7 1/4 99	300	89⅞	89⅞		9.08
LUFTHANSA INT FIN 5 7/8 98	500	82⅝	82⅝	-⅛	9.23
QUEBEC HYDRO 6 3/4 99	300	86⅛	86⅛	-⅛	9.21
SWEDEN 6 1/8 98	300	86⅛	86⅝		8.76
WORLD BANK 0 15	2000	15⅛	15⅛	+⅛	7.67
WORLD BANK 5 3/4 96	300	86	86⅛	-⅛	9.23
WORLD BANK 7 1/8 95	500	93⅞	93⅞	-⅛	9.06

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	83			7.69
AUSTRIA 4 5/8 98	100	86⅛	87		7.04
CHUJITSUYA 7 3/4 95	50	102			7.22
COUNCIL EUROPE 4 3/4 98	250	85⅛	86		7.48
EEC 5 1/2 00	100	87⅛	88⅛	-⅛	7.31
EIB 5 3/4 93	100	97	97⅞		6.93
FINLAND 5 3/8 95	150	94⅛	95		6.73
GENERAL MOTORS 7 1/2 95	100	101	101½	+½	7.21
JAPAN DEV BK 5 1/2 94	100	96⅜	97		6.67
MOUNT ISA FINANCE 5 3/4 94	100	88½	89	+88½	9.89
NEW ZEALAND 4 7/8 99	200	83	83½		7.77
QUEBEC HYDRO 5 08	100	75½	76½		7.59
SKANDINAVISKA ENSK 6 1/2 95	100	96⅛	96⅞	+⅛	7.60
WORLD BANK 5 03	150	80	80½		7.50
WORLD BANK 7 1/4 92	100	100	100½	-½	7.21

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93⅛	94		7.08
CANADA 4 3/8 92	80000	96	96⅛		7.23
CREDIT FONCIER 5 1/4 94	20000	93⅞	94⅛	-⅛	7.14
DENMARK 7 95	40000	100	100⅛		6.99
EIB 4 5/8 94	40000	92⅞	93	-⅛	7.10
GENERAL ELECTRIC 5 3/4 93	35000	96⅜	97		7.45
INTER AMER DEV 7 1/4 00	30000	102	102⅞	-⅛	6.94
ITALY 5 3/4 92	150000	98⅛	98⅝		7.35
KANSAI ELEC PWR 4 5/8 94	60000	92⅞	93		7.11
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	95½		6.89
NORWAY 5 1/8 95	50000	93⅛	93⅞		6.99
SWEDEN 5 5/8 95	20000	94	94½		7.15
WORLD BANK 6 3/4 00	50000	99⅛	99⅝	-⅛	6.88

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93⅞	94⅜		9.30
KREDIETCORP 7 93 LFr	1000	93⅛	94⅛		10.01
WORLD BANK 8 96 LFr	1000	94	95	-1⅛	9.46
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛		9.89
RABOBANK 5 3/4 93 Fl	150	92⅛	93		9.82
ALBERTA PROVINCE 10 92 C$	500	97⅞	99	-⅛	11.55
BCE INC 9 5/8 93 C$	300	95⅛	96⅛	-⅛	11.73
BELL CANADA 10 5/8 99 C$	150	95⅛	95⅞	-½	11.52
BRITISH COLUMBIA 9 1/4 93 C$	150	95⅞	96⅛	-⅛	11.57
EIB 10 1/8 98 C$	130	96	96½	-⅛	10.94
FORD CREDIT CANADA 10 94 C$	100	95	95½	-⅛	11.72
GENERAL ELECT CAP 10 1/4 93 C$	175	98⅛	98⅝		10.98
MONTREAL TRUSTCO 8 1/2 92 C$	100	95	96		12.58
ONTARIO HYDRO 10 7/8 99 C$	500	97½	97⅞	-⅛	11.33
QUEBEC PROV 10 1/2 98 C$	200	95⅞	96⅛	-⅛	11.33
ROYAL TRUSTCO 10 1/4 93 C$	100	96⅛	96⅝	-⅛	12.11
SWEDEN 9 3/4 98 C$	250	97⅛	97⅞		11.07
AUSTRIA 7 3/8 93 Ecu	125	93⅞	94⅜	-½	10.77
CNT 7 3/8 93 Ecu	250	92½	94⅛	-½	10.89
CREDIT LYONNAIS 9 96 Ecu	125	92	94	-1⅛	11.02
DENMARK 7 5/8 96 Ecu	250	90⅛	90⅞	-⅛	10.05
EEC 7 5/8 94 Ecu	200	93½	94		10.09
EIB 10 97 Ecu	1125	100⅞	100⅝		9.87
ITALY 10 3/4 00 Ecu	1000	104⅜	104½	-⅛	9.99
SWEDEN 7 1/2 93 Ecu	250	90½	92⅛	-1⅝	11.52
BMW FINANCE 14 1/2 92 A$	100	101⅞	102⅛		12.82
COUNCIL EUROPE 13 93 A$	50	99⅝	100⅛	-2⅛	13.14
EKSPORTFINANS 12 3/8 95 A$	75	100⅛	100⅞		12.21
FORD CRED AUST 13 93 A$	50	99½	100	-⅛	13.20
ICI 15 1/2 92 A$	100	102⅝	103⅛	-⅛	13.20
MCDONALDS CANADA 15 95 A$	100	105⅜	106⅛	+⅛	13.16
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103½	104	-⅛	13.27
STATE BK NSW 14 1/4 99 A$	100	107⅛	108	-⅛	12.75
VOLKSWAGEN INTL 15 94 A$	100	105	105½		12.98
ABBEY NATL TREAS 13 3/8 95 £	100	102⅞	103⅛	-⅛	12.41
BARCLAYS JERSEY 9 1/2 93 £	250	94⅛	94½		12.54
BRITISH GAS 12 3/4 95 £	150	100⅞	101⅛	-2⅛	12.44
DEUTSCHE BK FIN 11 94 £	225	97½	97⅞	-⅛	12.00
EIB 10 97 £	300	93½	93⅞	-½	11.52
FORD CREDIT FUNDING 9 5/8 93 £	50	93⅛	93⅝	-⅛	13.19
INTER AMER DEV 11 3/8 95 £	75	98⅞	99⅜	-⅛	11.67
ITALY 10 1/2 14 £	400	91⅝	91⅞		11.53
LAND SECS 9 1/2 07 £	200	78⅝	78⅞	-½	12.72
LEEDS PERMANENT 9 1/4 93 £	50	93⅛	93⅞		12.56
NORWAY 10 1/2 94 £	200	96⅛	96⅝	-⅛	11.97
ROLLS-ROYCE 9 5/8 93 £	150	93⅛	93⅝	-⅛	12.91
SAINSBURY 10 7/8 95 £	100	97	97½		12.61
SKANDINAVISKA ENSK 13 1/8 95 £	100	101⅛	102⅛	-⅛	12.52
WORLD BANK 11 1/4 95 £	100	98⅞	99⅜	-⅛	11.55
ABBEY NATIONAL 0 96 NZ$	100	46⅛	48		14.14
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99⅛	100⅛		13.34
AIDC 7 7/8 93 FFr	600	93½	94	-⅛	10.67
CREDIT LYONNAIS 10 95 FFr	2000	98	98½	-⅛	10.55
EURATOM 7 5/8 98 FFr	500	86⅞	87⅜	-⅛	10.19

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.75	99.85	7.5938
BANCO ROMA 0.05 01	200	91.00	92.00	8.4675
BANCO SANTO SPIRITO 93	200	99.52	99.62	8.4375
BELGIUM 1/16 97 DM	500	99.85	99.95	8.8125
BFCE -0.02 96	350	99.59	99.69	7.7925
BNP 05	300	97.50	98.00	8.0938
BRITANNIA 1/10 96 £	150	99.56	99.61	13.9750
COMMERZBK O/S FIN 93	200	99.62	99.71	7.9375
DENMARK -1/8 96	1000	98.94	99.04	8.0000
FERRO DEL STAT 94	200	100.06	100.16	8.2500
MITSUI FIN ASIA 1/8 96	100	98.75	98.85	8.1875
NAT WEST FIN 3/16 05	400	92.08	93.00	8.3125
NEW ZEALAND 93	500	99.46	99.56	8.0625
QUEBEC PROV 01	300	97.00	97.20	8.1250
RENFE 98	500	99.75	99.85	7.8750
SOCIETE GENERALE 96	300	98.30	98.40	8.0000
STATE BK VICTORIA 0.05 99	125	97.88	98.13	8.4375
UNITED KINGDOM -1/8 96	4000	99.96	99.99	8.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	105⅛	106⅜	+23.40
ASDA-MFI 4 3/4 02 £	100	1.64	110⅛	111⅛	+52.58
BURTON GROUP 4 3/4 01 £	110	3.15	106⅝	108	
EASTMAN KODAK 6 3/8 01	300	50.67	97	98	+17.37
GOLD KALGOORLIE 7 1/2 00	65	1.0554	62⅛	63⅛	+54.88
GOODYEAR TIRE 6 7/8 05	150	80¼	58½	56¼	
GRACE (WR) 6 1/4 02	150	42⅛	74⅛	75⅛	+25.11
GRAND MET 6 1/4 02 £	100	6.58	101⅞	102⅞	-0.10
HAWLEY 6 02 PREF	400	1.91	92½	93⅞	+31.11
HILLSDOWN 4 1/2 02 £	150	4.16	103⅞	104⅞	+69.25
INTL PAPER 5 3/4 02	200	68⅛	89⅛	90⅛	+15.08
LAND SECS 6 3/4 02 £	84	6.72	87⅛	88⅛	+9.39
MITSUBISHI BK 1 3/4 02	300	2727.1	89⅛	91⅛	-7.62
OGDEN 6 02	85	39.077	65	66½	+31.10
PACIFIC DUNLOP 6 3/4 97	75	3.749	102⅛	103⅛	+2.65
TEXAS INSTRUMENTS 2 3/4 02	300	82⅜	80½	81½	+84.68
THORN EMI 5 3/4 04 £	103	7.45	104⅛	105⅛	+16.06

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Profits rise to NZ$8.2m at City Realties

By Terry Hall in Wellington

CITY Realties, the New Zealand property company, has increased profit by more than a third to NZ$8.27m (US$4.89m) for the year to September – though its asset base more than doubled to NZ$380m.

City Realties was taken over by US-based Gulf Resources and Chemicals earlier this year.
Gulf took a 62 per cent stake in City Realties in return for injecting NZ$248m worth of properties into the company. Brierley Investments (BIL), which held 4.95 per cent of City Realties, tried to block the move.

The injection of the Gulf properties has helped boost City Realities property portfolio to NZ$354.6m at the end of September, from NZ$106m previously.

The extra properties helped City Realties more than double sales and other operating income to NZ$33.6m. Term liabilities rose to NZ$140.9m from NZ$87.8m while current liabilities were NZ$5.8m against NZ$3.3m. The short-term liabilities were more than covered by current assets of NZ$24.7m against NZ$4.3m.

City Realties said the properties acquired from Gulf were performing to expectations and were 95 per cent occupied.

BNZ holders agree rescue package

By Terry Hall

BANK of New Zealand shareholders yesterday approved the latest rescue package for the bank which will see NZ$250m (US$147.9m) worth of shares subscribed by the government and Fay Richwhite, the New Zealand merchant bank.

Mr Syd Pasley, BNZ chairman, told the special meeting that the issue was a significant part of the NZ$720m restructuring deal announced last month.

Shareholders were strongly critical of the directors and the conduct of the bank, commenting on the recent revelations of its NZ$1bn exposure to doubtful debts in Australia bringing its total exposure to NZ$2.8bn. Several shareholders called for a public enquiry.

Mr Lindsay Pyne, BNZ chief executive said the bank had established new procedures and policies to guide the granting of loans, including a strong internal audit system and an independent credit department.

BIL acquires 21% of Carter Holt Harvey

BRIERLEY Investments (BIL), the New Zealand company founded by entrepreneur Sir Ron Brierley, has become the single biggest shareholder in Carter Holt Harvey, the giant forestry group, following a NZ$131m (US$77.5m) deal with National Mutual Life Association of Australia, writes Terry Hall.

The sale give BIL 21.1 per cent of the group. BIL is getting 60m Carter shares in exchange for 75m BIL shares and NZ$49.05m in cash. The agreement values the Carter shares at NZ$2.18 each and the BIL shares at NZ$1.09, both prices above market.

BIL has paid an average price of NZ$2.50 a share for the 180m Carter shares, well above the current market price of NZ$1.94. But BIL executive director Mr Paul Collins said he was relaxed at paying the premium.

NML said it sold the shares because it was overweighted in Carter stock.

Natsteel trading arm in venture in Singapore

THE trading arm of Singapore-listed Natsteel, the diversified group which operates the country's only steel mill, has agreed to form a joint venture with China National Metals and Minerals Import and Export Corp (China Minmetals), Reuter reports from Singapore.

Natsteel Trade International will have a 21 per cent stake in the Singapore-based joint venture, to be named Minmat Resources, and China Minmetals 79 per cent.

Mr Chiang See Poh, chief executive of Natsteel Trade, said the venture would provide an effective source of materials for Natsteel. Mr Liu Zhong Liang, China Minmetals president, said it would help his company market Chinese steel products in Australia and south-east Asian countries.

Shevardnadze resignation leads Treasuries lower

By Karen Zagor in New York and Deborah Hargreaves in London

US Treasury bonds moved broadly lower yesterday morning as traders continued to cut their long positions after the strong gains earlier in the week. News that Mr Eduard Shevardnadze, foreign minister of the Soviet Union had resigned added to the selling pressure.

GOVERNMENT BONDS

The trend towards a steeper yield curve, which was triggered by the discount rate cut of 50 basis points earlier this week, continued yesterday morning. At mid-session the Treasury's bellwether 30-year bond down ¼ at 106$\frac{1}{16}$, yielding 8.2 per cent while the two-year note was unchanged to yield 7.2 per cent.

The Federal Reserve arranged $2.5bn customer repurchase agreements when Fed funds were trading at 7$\frac{1}{16}$ per cent. The move, which adds liquidity to the system, was widely anticipated and was seen as a further sign that the Fed's target for the funds had indeed shifted to 7 per cent from 7¼ per cent.

There was no market excitement about the US personal income and spending reports. Personal income rose 0.3 per cent in November while personal consumption increased 0.1 per cent. Both figures were in line with expectations.

The bond market is undecided about the bearish and bullish augurs of the week. On the one hand, worries about the Middle East, instability in the banking sector and Mr Shevardnadze's resignation have all had a dampening effect on the bond market. In addition, bond prices have come under pressure from end-of-quarter window dressing and the belief that the Federal Reserve will not ease again before the end of the year.

Against this, the continued economic decline in the US was a source of strength for bonds.

■ THE seasonal quiet of the European bond markets was broken when the resignation of Mr Eduard Shevardnadze focused investors' attention on the governmental crisis in the USSR. French and German bonds were hit most badly because of those countries' investment in the state.

German banks have been major lenders to the Soviets in the past two years and almost all of the loans have been guaranteed by the German government. In addition, the old East Germany still maintains trade links with the USSR and if these were cut off, restructuring the eastern regions would become even more problematic.

But perhaps uppermost in the minds of many bond investors is the fact that a crisis in the USSR would produce a flood of refugees to Germany with major implications for the German economy which is still struggling to fund reunification.

Movement in Bunds was led by the futures market where prices went into freefall after the resignation announcement. The market closed down a point on the day at 82.88 on volume of over 31,000 contracts – almost double Wednesday's level. The drop in price has been exacerbated by the thinness of the market in the run-up to Christmas.

It also makes the outlook for the German bond auction on December 27 look grim. Banks could hold off amid the political uncertainty and retail buyers are likely to be absent from the market.

■ IN LONDON, gilt-edged securities found little support and slid down almost a full point as buyers left the market. While the UK is not as directly exposed to the USSR as France or Germany, gilts prices were dragged down by the other markets.

The long end lost $\frac{11}{16}$ in a rough day's trading which left a benchmark bond maturing in 2003/07 at 106$\frac{11}{16}$ to yield 10.74 per cent. The release of UK money supply figures had little effect on the market.

■ JAPAN had no time to react to the resignation news since trading had closed by the time Mr Shevardnadze made his speech and in later London trading, Japanese government bonds remained locked in a narrow range. The benchmark 119 bond closed at a yield of 7.09 per cent after reaching 6.99 per cent in Tokyo but finding little support at that level. The Japanese reaction will be seen in overnight trading in Tokyo.

● MEMBERS of the Association of Futures Brokers and Dealers and The Securities Association agreed to merge the two organisations in an overwhelming vote yesterday. The new regulatory body will be called the Securities and Futures Authority.

● THE American Stock Exchange has started trading zero coupon bonds based on US Treasuries. The securities are called Strips – separate trading of registered interest and principal securities.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-28	-06/32	11.61	11.33	11.27
		9.000	03/00	89-20	-21/32	10.75	10.47	11.09
		9.000	10/08	89-14	-27/32	10.30	10.09	10.74
US TREASURY *		8.500	11/00	103-07	-08/32	8.02	7.93	8.33
		8.750	08/20	106-02	-08/32	8.20	8.09	8.49
JAPAN	No 119	4.800	6/99	87.8275	-0.278	7.09	7.16	7.67
	No 129	6.400	03/00	96.3427	-0.282	6.69	6.72	7.35
GERMANY		9.000	10/00	100.7800	-0.970	8.87	8.61	8.83
FRANCE	BTAN	9.000	11/95	95.1606	-0.467	10.29	10.11	10.13
	OAT	8.500	03/00	91.2700	-0.890	9.97	9.75	10.11
CANADA *		10.500	03/01	101.3500	-0.900	10.28	10.10	10.54
NETHERLANDS		9.250	11/00	100.9800	-0.550	9.09	8.92	9.09
AUSTRALIA		13.000	07/00	105.4489	-0.176	12.03	11.95	12.28
BELGIUM		10.000	08/00	98.9000	-0.400	10.00	9.81	9.69

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Top rating for East Midlands Electricity

By Simon London

EAST Midlands Electricity has been assigned top-quality credit ratings for its short-term debt, the first of the newly-privatised regional electricity companies to have a debt programme rated.

Moody's Investors Service and Standard and Poor's, the two biggest US rating agencies, have assigned Prime-1 and A-1+ ratings respectively to East Midland's £100m commercial paper programme, signed yesterday.

The programme was arranged by Natwest Capital Markets and allows for the issue of paper in maturities ranging from seven days to one year and in a number of currencies other than sterling. Dealers on the programme are Natwest and Barclays de Zoete Wedd.

Standard & Poors said that the rating was based on the "favourable, though untested, UK regulatory system; the steady growth and increasing diversity of the company's service base; its strong financial position after privatisation; and management's emphasis on the protected and profitable core distribution business".

Euro Disneyland to raise FFr5bn

EURO Disneyland plans to seek shareholder authorisation to raise FFr5bn, Reuter reports from Paris.

The company, which made the statement in the French official bulletin, did not specify how the money will be raised or how it will be spent. Euro Disneyland said that a maximum of FFr500m of the total will be in the form of share capital.

● THE Reserve Bank of Australia has added Rothschild Australia Securities to its list of reporting bond dealers. It replaces the State Bank of Victoria, which is being acquired by Commonwealth Banking.

Reporting bond dealers are dealers with which the Reserve Bank conducts its market transactions in government bonds of more than one year to maturity.

Sanyo Securities feels the pinch

Stefan Wagstyl on the Japanese broker's cost-cutting survival plan

With its rows of flashing lights, the dealing room of Sanyo Securities looks more like mission control at Houston than a stockbroker's office.

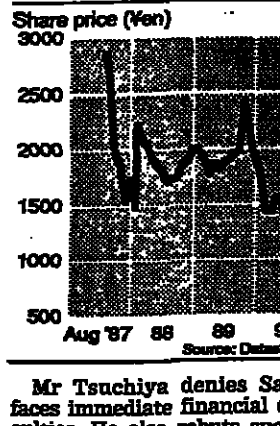
Completed at a cost of Y8bn at the height of the bull market in Japanese equities in the 1980s, it is the pride and joy of the company's president, Mr Yoichi Tsuchiya. But it could become a millstone around his neck if the recession in the Japanese stock market lasts much longer.

Sanyo is one of 10 medium-sized broking companies which rank below Japan's Big Four groups and above the 200-odd smaller, mostly family-owned companies. Like other brokers, Sanyo is having to endure the industry's worst trading conditions for more than 20 years and also like most of the others, it is struggling to stay in the black.

Mr Tsuchiya says people mistakenly believe small stockbrokers are most at risk in the current bear market. In fact, these firms will survive, he says. When times get tough, they simply shut up shop, and re-open when the market begins to recover. The companies in greatest danger, says Mr Tsuchiya, are the medium-sized companies like Sanyo which have big costs and big ambitions but lack the huge financial reserves of the top four brokers – Nomura, Daiwa, Nikko and Yamaichi.

Sanyo Securities

Share price (Yen)



Mr Tsuchiya denies Sanyo faces immediate financial difficulties. He also rebuts suggestions made in Kabutocho, Tokyo's stock exchange district, that the company will have to sell its precious dealing room to make ends meet. "Why should we sell?" asks Mr Tsuchiya, "This is our future. Other companies will have to make the investment we have already made."

But he adds that medium-sized brokerages may be hard-put to keep their independence if the bear market continues beyond next spring. "If we see the light at the end of the tunnel by next April, we will be all right. But if this bad situation in the market lasts for a year or two then medium-sized companies like ours will may be asking for help. Before we do that we will try to manage by ourselves."

Virtually all the medium-sized securities companies have a key shareholder standing behind them. Sanyo is related to Nomura Securities, the leading Japanese broker, which helped to establish Sanyo in 1971 through the merger of three small brokerages, including one which had been a Nomura subsidiary.

However, the leading company in the merger was Nitto Securities, founded by Mr Tsuchiya's father, Mr Yozaburo Tsuchiya, who had a legendary reputation for playing the stock and land markets and is now the Sanyo chairman. Mr Yoichi Tsuchiya is anxious to emphasise Sanyo's independence from Nomura. "This is not a parent and child relationship," he says, adding that Sanyo would turn to its bank – Daiwa Bank – for support in a crisis, before it went to Nomura. However, even then, Nomura, which nominates three of Sanyo's 40 directors, may have the final say since it is the biggest shareholder in Daiwa Bank.

But for the moment thoughts of rescue finance are far from Mr Tsuchiya's mind. His present priority is to try to keep Sanyo in the black. In the six months to the end of September, pre-tax profits fell 77 per cent to Y4.7bn ($35m) on a 17 per cent decline in revenue to Y62.1bn. The second half results are likely to be worse.

Sanyo is cutting costs by squeezing everything from staff bonuses to computer suppliers. But it is socially unacceptable for a publicly-listed company in Japan to dismiss employees, except in dire emergency, so a large proportion of the costs is fixed. This weighs heavily on the medium-sized brokerages. Sanyo with 4,500 people has 40 per cent more employees than Nomura but makes less than 10 per cent of Nomura's pre-tax profit.

Like other Japanese securities companies and quite unlike most western groups, Sanyo is also reluctant to cut recruitment. It plans to recruit 700 male graduates next year compared with 900 this year, but the main reason for the reduction is a decline in well-qualified applicants seeking jobs in the securities industry.

On the prospects for the stock market, Mr Tsuchiya tries to sound upbeat. A correction was natural after such a long bull market, he says. But the Japanese economy and its ability to generate trade surpluses remain strong, so equities should recover. "The slow period will probably last six more months. We will probably see the light around April."

That is Sanyo's public position. The private views of some senior executives are much more gloomy.

Japanese issues underpin Euromarket activity

JAPANESE property development and real estate concern Tokyo Tatemono launched two targeted yen deals into the international bond market yesterday, raising a total of Y30bn, writes Simon London.

INTERNATIONAL BONDS

The company raised Y20bn at the six-year maturity with an issue lead-managed by Yamaichi International. The coupon was set at 7.4 per cent and the issue price 101.15.

At the 10-year maturity, Tokyo Tatemono raised Y10bn via Daiwa Europe, issuing paper with a lower coupon of 7.25 per cent but launched at 100.75.

Syndicate managers expect the Tokyo bond markets to continue to operate throughout the Christmas holiday period, closing only for the New Year holiday in Japan. Bond issues originated in Tokyo and largely pre-sold into the Japanese market will continue to trickle on to the market.

For example, Nissan Motor may launch its anticipated yen deal either today or early next week. A two-tranche structure is rumoured, with Daiwa and Yamaichi favourites to lead-manage the deal.

However, none of the recent yen issues are expected to trade widely, the Tokyo Tatemono paper issued yesterday being no exception.

In the Eurodollar sector, Dynaworld Bank and Trust, a wholly owned subsidiary of Banca Serefin, the Mexican financial institution, launched a targeted $50m six-year issue, lead-managed by Yamaichi.

In the secondary market, trading volume was very thin.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Dynaworld Bank & Tst.(b)◆	50	10½	93.725	1996	1⅜/1	Yamaichi Int.
YEN						
Tokyo Tatemono Co.(a)◆	20bn	7.4	101.15	1996	1⅞/1¼	Yamaichi Int.
Tokyo Tatemono Co.(a)◆	10bn	7¼	100¾	2001	2/1¼	Daiwa Europe
In'finance Credit Nat.(c)◆	3bn	12½	101⅛	1992	1⅛/⅝	New Japan Secs.

**Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Put option on 17/1/94 at 96.35%. c) Nikkei-linked issue. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday December 20 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Dec 19: Index No.	Tue Dec 18: Index No.	Mon Dec 17: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (196)	721.34	-0.8	14.75	6.62	8.28	35.31	727.33	721.17	722.69	898.09
2 Building Materials (26)	974.33	-0.7	14.79	6.27	8.33	45.71	980.79	966.78	973.97	1071.83
3 Contracting, Construction (34)	1129.18	-0.8	16.55	7.12	7.85	59.58	1137.82	1132.67	1137.77	1475.31
4 Electricals (10)	1928.26	-0.8	14.57	6.92	8.39	99.22	1943.48	1926.78	1923.77	2615.76
5 Electronics (26)	1554.56	-0.3	10.30	5.53	12.94	61.02	1559.01	1548.10	1555.47	1878.48
6 Engineering-Aerospace (8)	399.30	-0.7	16.81	6.12	7.13	17.27	402.03	400.22	401.90	0.00
7 Engineering-General (48)	364.91	-0.9	16.01	7.03	7.54	19.28	368.33	366.02	365.47	0.00
8 Metals and Metal Forming (8)	402.66	-0.4	22.57	8.54	5.47	25.45	404.27	403.16	401.16	471.93
9 Motors (13)	294.32	-1.9	16.95	8.17	6.87	17.45	299.88	294.06	292.53	375.41
10 Other Industrial Materials (23)	1252.84	-1.2	13.45	6.53	8.60	62.67	1268.02	1259.18	1259.43	1714.13
21 CONSUMER GROUP (178)	1230.10	-0.7	10.00	4.22	12.42	38.20	1238.51	1230.28	1229.37	1304.42
22 Brewers and Distillers (22)	1598.49	-1.1	10.19	3.89	12.09	42.93	1615.59	1601.81	1588.65	1524.26
25 Food Manufacturing (19)	1032.01	-0.9	11.25	4.79	10.95	34.87	1040.99	1041.36	1039.76	1135.62
26 Food Retailing (16)	2290.91	-1.1	9.82	3.28	13.30	64.97	2316.83	2297.05	2292.39	2268.25
27 Health and Household (18)	2562.10	-0.5	6.97	2.96	16.99	59.28	2575.71	2564.03	2569.38	2659.53
29 Leisure (32)	1210.24	-1.0	12.29	5.52	9.87	48.00	1221.87	1217.94	1218.82	1639.41
31 Packaging & Paper (12)	523.46	-0.3	12.26	6.65	10.01	24.32	524.88	519.72	519.20	549.09
32 Publishing & Printing (13)	2960.21	-0.9	12.14	6.41	10.31	140.95	2985.95	2951.55	2963.39	3780.57
34 Stores (34)	787.89	+0.1	10.84	4.64	11.99	25.73	786.84	777.68	781.08	784.32
35 Textiles (12)	410.46	+0.6	14.19	8.65	9.05	27.62	408.19	404.00	402.49	517.56
40 OTHER GROUPS (105)	1014.35	-1.0	12.56	5.69	9.63	35.54	1024.20	1018.57	1015.75	1174.81
41 Agencies (14)	915.53	-1.2	11.61	3.67	10.43	25.06	926.93	927.15	933.10	1539.67
42 Chemicals (24)	1056.11	-1.8	12.82	6.39	9.21	51.96	1075.72	1075.21	1067.46	1210.03
43 Conglomerates (13)	1304.85	-0.2	13.50	7.67	8.82	45.14	1307.64	1289.15	1295.21	1606.80
44 Transport (15)	1906.37	-0.8	13.65	5.38	9.01	79.19	1922.51	1909.66	1897.56	2283.04
46 Telephone Networks (3)	1169.59	-0.9	11.44	4.32	11.37	27.94	1180.75	1174.13	1170.98	1225.78
47 Water (10)	2145.06	-1.2	14.60	6.53	7.73	68.12	2170.74	2187.12	2165.47	0.00
48 Miscellaneous (26)	1587.61	-0.8	11.80	5.60	9.85	66.29	1601.16	1587.87	1582.23	1925.27
49 INDUSTRIAL GROUP (479)	1039.78	-0.8	11.83	5.20	10.36	37.64	1048.15	1041.14	1040.35	1176.37
51 Oil & Gas (21)	2295.95	-1.1	9.74	5.55	13.40	95.42	2322.14	2316.97	2296.56	2380.50
59 500 SHARE INDEX (500)	1143.22	-0.8	11.51	5.25	10.73	42.32	1153.01	1146.08	1143.81	1276.84
61 FINANCIAL GROUP (102)	714.50	-0.8	-	6.71	-	35.36	720.61	712.10	713.84	842.37
62 Banks (9)	752.54	-0.9	21.40	7.69	6.12	43.40	759.18	743.96	751.68	860.28
65 Insurance (Life) (7)	1285.89	-1.1	-	5.97	-	55.82	1299.89	1305.90	1309.31	1421.41
66 Insurance (Composite) (6)	626.69	-0.6	-	6.82	-	32.08	630.29	620.32	617.84	739.65
67 Insurance (Brokers) (8)	988.94	-1.9	7.65	6.55	17.12	48.39	1008.01	990.99	973.35	1152.46
68 Merchant Banks (7)	359.26	+1.0	5.42	5.72	24.59	15.48	355.79	356.00	356.62	471.61
69 Property (44)	972.78	-1.2	7.26	5.12	18.64	35.10	984.43	978.48	976.18	1222.64
70 Other Financial (21)	254.70	-0.2	10.83	7.12	11.68	14.00	255.25	256.21	254.86	334.18
71 Investment Trusts (70)	1003.73	-1.1	-	4.03	-	29.58	1015.18	1010.72	1013.67	1281.18
91 Overseas Traders (5)	1196.34	+0.6	11.93	7.72	9.98	70.90	1188.95	1182.35	1169.64	1524.92
99 ALL-SHARE INDEX (677)	1037.27	-0.8	-	5.44	-	40.20	1046.13	1039.03	1037.71	1173.40

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 19	Dec 18	Dec 17	Dec 14	Dec 13	Year ago
FT-SE 100 SHARE INDEX‡	2158.8	-19.9	2172.5	2149.1	2178.7	2161.8	2157.9	2168.4	2172.2	2353.0

FIXED INTEREST

PRICE INDICES	Thu Dec 20	Day's change %	Wed Dec 19	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	118.55	-0.05	118.60	-	12.54
2 5-15 years	127.43	-0.44	128.00	-	13.63
3 Over 15 years	130.36	-0.68	131.69	0.42	12.32
4 Irredeemables	148.48	+0.03	148.44	-	13.70
5 All stocks	126.53	-0.32	126.97	0.03	13.29
Index-Linked					
6 Up to 5 years	156.84	-0.02	156.86	-	3.04
7 Over 5 years	143.62	-0.13	144.15	0.33	4.15
8 All stocks	144.50	-0.12	144.98	0.30	4.06
9 Debentures & Loans	104.08	+0.08	104.00	-	11.35
10 Preference	74.23	+0.19	74.09	-	6.66

AVERAGE GROSS REDEMPTION YIELDS			Thu Dec 20	Wed Dec 19	Year ago (approx.)
British Government					
1	Low	5 years	9.88	9.82	10.13
2	Coupons	15 years	10.22	10.13	9.52
3		25 years	10.24	10.15	9.45
4	Medium	5 years	11.03	10.97	10.99
5	Coupons	15 years	10.55	10.46	9.95
6		25 years	10.35	10.28	9.61
7	High	5 years	11.14	11.08	11.14
8	Coupons	15 years	10.73	10.64	10.15
9		25 years	10.51	10.42	9.74
10	Irredeemables†		10.33	10.33	9.60
Index-Linked					
11	Inflation rate 5%	Up to 5yrs.	4.04	4.02	3.85
12	Inflation rate 5%	Over 5 yrs.	4.17	4.15	3.61
13	Inflation rate 10%	Up to 5 yrs.	2.67	2.64	2.93
14	Inflation rate 10%	Over 5 yrs.	3.97	3.96	3.43
15	Debs &	5 years	12.55	12.53	13.34
16	Loans	15 years	12.34	12.33	12.54
17		25 years	12.13	12.13	12.06
18	Preference†		12.76	12.77	10.80

‡Opening index 2172.3; 9 am 2172.3; 10 am 2159.1; 11 am 2157.9; Noon 2154.1; 1 pm 2154.3; 2 pm 2149.7; 2.30 pm 2149.4; 3 pm 2151.1; 4.10 pm 2159.1; (a) 8.56am (b) 2.11pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. YEAR END RECLASSIFICATIONS: 48 changes are tabulated on page 18 of the December 10th issue of the Financial Times.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	63	23
Corporations, Dominion and Foreign Bonds	0	6	15
Industrials	201	456	906
Financial and Properties	88	244	417
Oils	12	43	38
Plantations	0	2	8
Mines	60	12	81
Others	71	57	103
Totals	432	883	1,591

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd.	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]							
240	Nil	-	20pm	2¼pm	Harvey & Thompson 20p	3pm	-1
65½	Nil	-	½pm	¼pm	Intl. Bus. Comms.	½pm	+¼
5	Nil	-	¼pm	¼pm	‡Merchant Man. Est. 'A'	¼pm	
6	Nil	-	½pm	¼pm	‡Surrey Group 5p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings: Dec. 17
- Last Dealings: Jan. 4
- Last Declarations: March 27
- For settlement: April 8

For rate indications see end of London Share Service

Calls in Amstrad, Aran Energy, Kunick, Next, Premier Cons. and Tuskar Res. Put in Ford Sellar Morris Props.

LONDON TRADED OPTIONS

LONDON'S derivatives markets had an active session yesterday as investors strove to assess the implications of the unexpected developments in the Soviet Union. In options, the chief activity came in the FT-SE Index option, where business rocketed from 4,867 contracts on Wednesday to 11,365 yesterday.

Barclays de Zoete Wedd, the London-based investment house, occupied the centre of the stage, with a massive linked trade which appeared to reflect the general uncertainty over the outlook for the stock market in the light of the resignation of the Soviet foreign minister. Total share options contracts traded yesterday totalled 23,726 contracts against 30,015 on Wednesday.

BZW bought 1,500 January 2,200 calls in the Footsie option, offsetting this with a purchase of 1,500 January 2,150 puts. This large trade of 3,000 contracts dominated trading in the sector.

The accompanying factor, also disclosing the market's uncertainties, came as options in the Euro-FT contract topped the actives list with 2,173 trades, more than double the nearest rival.

Options on particular shares were unexciting yesterday, with Lucas, at 1,095 contract, following well behind the Euro-FT contract as investors continued to reshape portfolios for the new year.

Asda, the food supermarket group, also had an active session, returning 1,071 contracts, but the list then fell away smartly.

In futures, the FT-SE December futures showed a very small premium at the close which, after allowing for fair value, amounted to an effective discount. The premium had an active session as the big securities houses moved positions hurriedly to meet the sharp fall in the underlying stock market.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*476)	420	64	82	89	2	6	9
	460	28	52	58	7	15	19
	500	11	29	37	29	35	40
ASDA (*116)	100	19	-	-	1	-	-
	110	11	15	-	2½	6	-
	120	5	10	14	7	11½	14
Brit. Airways (*144)	130	18	24	25	1½	5	8
	140	11	17	19	4½	10	14
	160	3	8	10	19	21	25
Unilever (*687)	650	50	69	82	8	20	27
	700	17	40	53	30	42	47
Ultramar (*314)	300	25	37	45	6	12	13
	330	9	20	28	19	28	30
[illegible]							

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Elec. Pty. (*£1535)	1500	80	135	180	45	60	80
	1550	50	100	145	70	90	95
Eastern Elec (*143)	140	8	13	18	4½	6½	8½
[illegible]							

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*65)	60	8½	12½	15	3½	6	7
	70	3½	7	10½	9½	11½	12
Barclays (*355)	330	43	48	53	14	19	22
	360	24	30	33	29	32	35
Blue Circle (*217)	200	30	32	38	6½	12	14
	220	17	21	27	15	23	24
British Gas (*230)	220	18	27	30	6½	8	11
	240	8½	16	18	16	18	21
Dixons	140	12	17	21	10	14	17
[illegible]							

UK COMPANY NEWS

£69m in cash and shares paid to Sears for prime high street sites

Gt Portland acquires 30 properties

By Vanessa Houlder, Property Correspondent

GREAT PORTLAND Estates, one of the largest UK property investment companies, is buying 30 properties from Sears, the clothing and footwear group, for £68.7m.

The acquisition reflects Great Portland's view that the retail property sector will be the first to recover. It will also reduce the company's exposure to the West End and the City, which now accounts for over three quarters of its portfolio. The proportion of retail property in its portfolio increases from 13 per cent to 20 per cent.

"This deal provides us with an excellent strategic opportunity to expand and broaden the spread of our existing portfolio by the acquisition of some prime high street properties located throughout the UK, which I believe offer good growth potential at the present time," said Richard Peskin, chairman.

The sale is part of Sears' strategy of disposing of its £250m investment property portfolio, which it began 18 months ago. "We took the view that we should not own properties which we did not need for trading purposes," said Mr Geoffrey Maitland Smith, chairman.

The properties, 70 per cent of which are retail, are spread throughout the country, including two in Oxford Street. Great Portland said that their positions in all the towns were first class and that they had been valued by Hillier Parker at more than the purchase price. They have a rent roll of £5.7m a year.

Most of the properties will be retained for long-term investment, although some of the smaller units are likely to be traded in the next couple of years.

The payment will be satisfied by the issue of 19m new ordinary shares, £4.5m of 9.5 per cent convertible unsecured loan stock 2002 and £21.2m in cash.

Sears has agreed to retain 9.5m shares, representing about 5 per cent of Great Portland's share capital, for at least a year. Mr Maitland Smith said that no decision had been made on what would happen to the stake after that point.

Sear's shares dropped 3p to 83p. Great Portland's shares fell by 6p to 220p.

The view that shops will be the first property sector to recover their value stems from their sensitivity to a fall in interest rates and the way they went into decline earlier than other parts of the market.

In November, Hillier Parker reported that average shop yields, although at the highest level since 1975 at 7.4 per cent, were beginning to level off.

Sharp exchanges as Burmah's offer for Foseco nears closes

By Andrew Bolger

UNCERTAINTY about today's outcome of the £259m bid by Burmah Castrol, the lubricants, fuels and chemicals group, to win control of Foseco, the speciality chemicals and abrasives producer, led to sharp final exchanges between the two groups.

Burmah already controls 29.9 per cent of Foseco. Its increased and final cash offer of 300p per share closes at 1pm today.

Earlier strong market feeling that Foseco's attempt to remain independent was doomed has been qualified by news that M&G Group, the fund management company, intends to vote its 10 per cent stake in support of the management. Foseco shares yesterday closed down 7p at 286p.

Mercury Asset Management and Sun Life sold their stakes, totalling about 5 per cent, allowing Burmah to raise its holding to the maximum allowed. The future of Foseco now lies in the hands of institutional investors such as Phillips & Drew, Prudential Corporation, Hill Samuel and Scottish Amicable.

Mr Tom Long, chairman of Foseco, has said he would sell the group's construction chemicals division, if a premium price could be obtained, the proceeds being used to repurchase Foseco shares.

Burmah said: "In recent days, the board of Foseco has taken to announcing agreements 'in principle' to sell assets. These proposed disposals amount to only £2.6m. The board of Foseco suggests that these possible disposals are indicative of Foseco's commitment to selling non-core assets and of the good value to be obtained from strategic purchasers.

"Given the insignificant size of the proposed disposals and the fact that the agreements are not legally binding, they are wholly irrelevant."

Mr Long responded: "The hysterical nature of their latest message to our shareholders shows just how much our proposals to enhance shareholder value have rattled Burmah.

"With the signing of contract for the sale of Midland Refineries for £1.8m, Foseco is pleased to confirm that its progress in making disposals of its non-core UK industrial businesses is proceeding satisfactorily. Contrary to Burmah's premature innuendo, this contract is legally binding."

Shareholders vote to back Savage management

By Andrew Hill

SHAREHOLDERS AT Savage Group, USM-quoted hardware company, threw their support behind the current management at yesterday's extraordinary general meeting.

As expected, resolutions to oust Mr David Stephens, finance director, and the new chairman, Mr Doug Rogers, were defeated. More than 99 per cent of the votes cast were against the resolutions.

The proposals were the remnants of an attempted management coup launched at the beginning of November by Mr Brian Cox, ex-chairman of Camford Engineering.

Since then the replacement of two Savage executives and promises of a revised group strategy have defused institutional discontent. Mr Cox and his team dropped their attempt to appoint a slate of six new directors to the board before yesterday's meeting.

Correction

Raab Karcher (UK)

Anglo United has bought the business and assets of John Hudson & Company Ltd, a subsidiary of Raab Karcher (UK) Ltd, and not all of Raab Karcher (UK) as we reported yesterday.

COMPANY NEWS IN BRIEF

COSALT has acquired R Perry & Co, a Birkenhead-based supplier of equipment to the marine, offshore and industrial safety markets. The consideration of £640,200 amounts to £253,144 cash, 257,053 ordinary shares and £55,406 nominal unsecured loan stock 1991-97.

IEP SECURITIES: The Trade Secretary has decided not to refer to the Monopolies and Mergers Commission the acquisition by Sir Ron Brierley's Sydney-based company of a 20.4 per cent voting interest in Vickers. Also cleared were the proposed acquisition by General Electric Company of Thorn EMI's light sources business.

WAGON INDUSTRIAL Holdings' has completed the sale of its Steel of Staffs subsidiary to British Steel for £6.5m following approval by the Office of Fair Trading and the European Commission.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Appletree	fin	nil	-	3	1.5	4.1
Bankers Inv Tst	fin	0.8	Feb 28	0.66	2.78	2.31
Danae Inv Trust	int	3.375	Feb 28	3.375	-	7.95
EFG §	fin	nil	-	2.25	1.25	3.5
Electra	fin	3.1	Feb 18	2.8	6.1	5.5
I&S Optimum	int	1.75‡	Feb 7	-	-	3.25☆
Kemp (PE)	fin	nil	-	nil	nil	0.5
Lynx Holdings §	fin	0.75	Feb 10	-	0.75	-
TGI	int	2.2	Feb 4	2.2	-	6.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Second interim making 3.45p to date. ☆For period October 27 1989 to May 31 1990.

Net asset value dips by 16% at Bankers

By Graham Deller

The net asset value of The Bankers Investment Trust, after deducting prior charges at par, stood at 90.1p at October 31 1990.

The figure represented a decline of some 16 per cent over the year, and reflected, according to the directors, a "turbulent year in world equity markets."

Earnings per share improved from 2.55p to 3.21p and a recommended fourth interim dividend of 0.8p lifts the total for the year by over 20 per cent to 2.78p.

A total of at least 3.2p is forecast for the current year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abtrust Scotland Inv, Batleys, Bremner, Ensor, Platignum.

Finals- Jersey Electricity, Kelsey Inds, Learmouth & Burchett.

FUTURE DATES

Interims-

Banner Homes	Jan. 4
Bucknall Austin	Jan 8
Midlands Electricity	Jan 9
Reliant Security	Jan. 8
Resort Hotels	Jan. 28
Sponsbill	Dec 24

Finals-

Craton Lodge & Knight	Jan 25
Treatt	Jan 8

UK COMPANY NEWS

Static TGI to cease factoring activities

By Richard Gourlay

TGI is to withdraw from the distribution of Japanese-made consumer electronics after further losses that left the audio and loudspeaker manufacturer with pre-tax profits barely higher for the six months to end-September.

Taxable profits rose from £1.11m to £1.16m on sales up some £1m at £26.26m.

Earnings per share fell to 3.9p (4.2p) but the interim dividend is maintained at 2.2p.

The move will allow TGI to repay substantially all its £7m debt. It is currently looking at ways to withdraw from the business including a management buy-out.

During the period, the factoring division made losses of £134,000 from turnover of £11.2m; the manufacturing side turned in profits of £1.3m on turnover of £15.06m.

Mr Norman Crocker, acting chief executive following the departure of Mr Terry Bennett earlier this month, said the withdrawal from factoring would allow more effort to be devoted to the manufacturing businesses which were progressing satisfactorily.

Pilkington expands float glass capacity via east German buy

By Maggie Urry

Pilkington, the world's leading flat and safety glass maker, is buying Akener Fahrseugglas, an important manufacturer of automotive glass in eastern Germany.

The purchase is being made through Flachglas, Pilkington's German subsidiary, which is expanding float glass capacity partly to supply the expected demand from eastern Germany. Pilkington said the move was "one of a series of expansions planned by Flachglas into the new German Federal States." The price was not disclosed.

Earlier this week the group announced that it was setting up a $140m (£73m) joint venture to build a float glass plant in Poland.

Bidding to make a mint

Charles Leadbeater on the reasons behind IMI's hostile £13.6m offer for Birmingham Mint

FOR YEARS minting coins has been a cosy, ordered business, run as a little noticed, officially sponsored cartel. The Royal Mint has a monopoly within the UK.

In export markets outside the EC it leads a consortium with De La Rue, which prints bank notes, while IMI and Birmingham Mint, the Midlands engineering groups, provide additional minting capacity.

The minters have a well developed arrangement for sharing out orders placed by overseas customers. The Royal Mint makes about two thirds of the coins, with IMI and Birmingham Mint taking equal shares of the remainder.

One might have thought that years of working together would have bred a sense of solidarity among the consortium's members, particularly as IMI and Birmingham Mint's plants are no more than three miles apart.

Far from it: in October the industry's veneer of calm was shattered when IMI, for which minting accounted for only a tiny fraction of its 1989 turnover of £1.07bn, launched a hostile bid for the Birmingham Mint minnow, which had turnover last year of just £40m. IMI on Tuesday raised the bid to £13.6m.

The local derby might be fiercely competitive but should it really be at the top of IMI's agenda as it grapples with lower growth for the whole group, not just in the UK but in the US and Australia as well?

Mr Gary Allen, IMI's chief executive answers with an emphatic "no". IMI wants to combine the two companies small minting operations to exploit economies of scale by investing in a single new mint to produce nickel plated coins. But industrial logic is only one attraction.

Mr Allen says: "It helps to keep managers on their toes. It is some time since we made a bid so it has sharpened up our approach to bids. It is certainly not a distraction.

Fifteen years ago IMI was dependent on a moribund British economy, Mr Allen says. Last year more than half its sales were to overseas customers and most of the orders were satisfied by output from foreign plants.

The irony is that this has not insulated IMI from slower growth.

In the next year the group's strategy will move along three main lines. First, there will be further cuts in manufacturing costs, through redundancies and capital investment. Second, acquisitions and divestments will sharpen IMI's focus of its most rewarding activities. Third, the group's international expansion will continue with a push into the Far East.

Its three most dynamic activities – titanium manufacturing in the metals division, fluid power systems and drinks dispensers – exemplify the three themes.

In titanium, which mainly goes to the aerospace industry, the group is facing increasing competition in Europe. Cuts in US defence spending have forced US titanium manufacturers to seek export markets in Europe.

The collapse of the Gatt talks has had a direct bearing on IMI's prospects in this sector. While the EC has a 7 per cent import tariff on titanium products, the US has a 15 per cent tariff.

IMI was hoping that a Gatt agreement would have opened up the US market.

Nevertheless, IMI is confident that the titanium business will continue to grow strongly. It plans continued capital investment, which has been running at £6m a year for the past few years, to improve quality and cut costs.

It is expanding its presence in the US aerospace components market through the acquisition of TiLine, an Oregon-based manufacturer of titanium castings mainly for General Electric, the US aero engine maker.

The deal, which will make IMI the third largest titanium manufacturer in the US, will reduce its reliance upon Rolls Royce, the British aero engine maker which is its main customer.

There is a less rosy picture for IMI's traditional metal bashing activities, particularly the high volume, low margin commodity business such as copper products.

The group's building products division is being dragged down by the recession in UK construction, depressing demand for copper plumbing systems.

Mr Roy Amos, the executive director responsible for drinks dispensers, is pursuing a different approach to cost cutting by taking advantage of the geographic spread of its manufacturing activities to ride currency movements.

The division has been hit by sharply lower growth in the US fast food industry. In response, the US plants are taking advantage of the weak dollar to export from the US, particularly to the Far East and to make components for its factories in Germany. The weakness of the dollar should affect the translation of profits into sterling, but IMI should be able to offset that by exploiting lower US manufacturing costs, Mr Allen believes.


Gary Allen: the bid is not a distraction but part of a strategy

Mr Amos also has high hopes for expanding sales in eastern Europe and a new product recently launched with Coca-Cola called the "convertible" which should open up a drinks dispense market in small shops and cafes.

The Norgren Martonair fluid power business has been kept going by strong growth in continental Europe, offsetting lower demand in the US and the UK.

However, even if German growth remains healthy, the fluid power division, which mainly sells to machinery makers, will feel the chill.

Mr Allen is determined the group should take an aggressive approach to the next year, backed by a balance sheet which is virtually debt free.

Capital expenditure will not be cut, he says. IMI will invest a further £26m in its Holford industrial estates subsidiary, which has developed derelict land on its vast Witton site.

The development should provide a ready source of capital in the future through land sales.

The company will continue to expand internationally. Most significantly, in the last few weeks the group's executives have started drawing up plans for expansion into the Far East where Mr Allen believes it is under represented.

The group has just purchased a building in Singapore as a permanent base to expand, particularly in fluid power systems.

The gathering international recession will slow growth at IMI. But Mr Allen decided the group should use the downturn to lay the foundations for future growth.

That is the significance of the local derby with Birmingham Mint. While the economy grinds to a halt it shows that IMI is still on the move.

IMI raises Birmingham Mint stake to 37% after bid clearance

IMI, the international engineering group bidding £13.6m for Birmingham Mint, yesterday increased its stake in the engineering and electronics company beyond 30 per cent after the Office of Fair Trading confirmed that the offer would not be referred to the Monopolies and Mergers Commission, writes Andrew Hill.

IMI bought a further 6.75 per cent of Birmingham Mint in the market at 95p, raising its holding to 36.73 per cent. Together with acceptances received IMI speaks for 41.49 per cent of the equity.

The predator, which on Tuesday increased its offer from 85p to 95p per ordinary share, had to wait for formal OFT approval before it could raise its stake above the 30 per cent threshold. Birmingham Mint shares yesterday closed down 1p at 93p.

IMI launched its original £12.2m offer at the end of October. In its latest offer document, posted on Wednesday, IMI claimed that Birmingham Mint had an unsustainably low tax charge (17 per cent), which had helped boost interim earnings per share to 7.7p, against a loss of 2.7p in the equivalent period. Adjusted for a standard 35 per cent tax charge, IMI said earnings would have been 3.6p.

Announcing interim results at the beginning of the month, Birmingham Mint forecast an 18 per cent increase in its full-year dividend, a policy which IMI's offer document described as "a one-off inducement for shareholders' loyalty."

"Based on a standard 35 per cent tax rate . . . Birmingham Mint would need to report full year pre-tax profit of over £3.6m to achieve even the lowest level of dividend cover which it reported in the four financial years ended March 31 1989," claimed IMI. In the year to March 31 1990, Birmingham Mint made £208,000 before tax.

UK COMPANY NEWS

Turkish banker condemns fund raising for Nadir bail

By David Barchard

A LEADING Turkish banker yesterday condemned efforts by his government to get Turkey's banks to put up funds for the record £3.5m bail payment for Mr Asil Nadir, chairman of Polly Peck International, who was released from Wormwood Scrubs yesterday afternoon.

"I am very upset that the Turkish government is giving support to Mr Nadir. It is very dangerous and I do not approve of it," said the banker – who declined to be identified.

He confirmed that he had been approached for money for the bail. "They did call me and I *flatly* refused. I don't think any other bank has contributed," he said.

However, banking sources in Ankara said they believed that at least one large private sector bank in Istanbul was willing to help Mr Nadir.

Two Turkish cabinet ministers, Mr Mehmet Yazar and Mr Güneş Taner, are believed to have been given the task by President Ozal three days ago of finding banks willing to help.

Mr Taner, Minister of State for Economic Affairs, is likely to have found the mandate particularly distressing. He is a leading critic of Mr Nadir and is believed to have thrown his weight against efforts to provide an emergency loan to Polly Peck by Turkish state banks last autumn.

Meanwhile Mr Aytaç Orhun, of the legal department of Iktisat Bankasi, confirmed yesterday that his bank had started the first action against Mr Nadir inside Turkey over a $1.5m (£779,800) promissory note signed by Mr Nadir which fell due two weeks ago.

Mr Orhun said Iktisat had had its application rejected at one court hearing because of a technical problem over the translation of the note from the original English into Turkish, but the case was continuing and Iktisat was confident of eventual victory.

Electra net assets down by 15.6%

By Richard Gourlay

ELECTRA INVESTMENT Trust reported a fully-diluted net asset value of 291.7p per share at September 30 – 15.6 per cent below the 345.7p of a year earlier.

The group said this compared with a 17.7 per cent decrease in the FT All-share index over the same period.

A recommended final dividend of 3.1p gives a total for the year of 6.1p, an increase of 10.9 per cent over the period. Electra aims to maximise capital appreciation on its investments, mainly small companies, while maintaining dividend that at least match inflation

Mr Michael Stoddart, chairman,said the results were principally affected by the under-performance of the smaller capitalised listed stocks and the writing down of certain unlisted investments.

Yesterday, Electra's shares closed at 227p, down 7p on the day and 33p below the price Globe Investment Trust shareholders purchased the shares by way of rights in March this year. Globe held 26 per cent of Electra's shares.

Adjusted net assets attributable to shareholders amounted to £477.67, compared to £567.77m. Profit attributable to shareholders was £14.3m, against £12.5m, while at the pre-tax level it was £2.4m higher at £19.2m.

See Lex

Appletree grows to £2.53m

PROFITS AT Appletree Holdings rose from £1.85m to £2.53m pre-tax for the year to end-September 1990. Turnover, however, slipped from £68.13m to £66.19m.

Earnings emerged at 9.48p (8.71p). The final dividend is omitted (3p) leaving shareholders with 1.5p (4.1p) for the year.

Extraordinary credits totalled £1.7m (£9.61m).

Conditional agreement has been reached to dispose of the Kildare Group, Appletree's remaining trading operation, to two directors, Mr David Johnson and Mr Tom McParland, and Courtline Holdings, a company jointly owned by them, for I£9.63m (£8.33m) cash.

On the basis of audited post-tax profits of I£1.33m for Kildare for the year to end-September, the proposed consideration would represent an exit p/e of 7.3.

Of the sale proceeds, I£7.75m would be used to settle bank debt. Thereafter, Appletree's pro forma net assets, amounting to some I£17.27m, would comprise mainly cash deposits.

Following the disposal of Kildare, Appletree would propose a scheme of arrangement involving a return of capital to, and the cancellation of the shareholdings of, all shareholders in Appletree except Mr Johnson and the trustees of his family settlement.

On the basis of the pro forma net assets the directors estimate that the scheme of arrangement would result in shareholders receiving not less than 95p cash per share.

The shares closed 15p higher at 90p.

NEWS DIGEST

Bluebird Toys chief steps down

BLUEBIRD TOYS yesterday reported the resignation of Mr Tom Charnock, its chief executive

Bluebird, like most other toy companies, is facing a bleak Christmas because of the slump in consumer spending due to the recession.

The USM company was keeping quiet about the resignation but the move coincided with an increase in the shares held by Geneva-based investment company Financiere Fransad. It bought a further 160,000 shares in Bluebird yesterday to increase its holding from 9.87 per cent to 11.97 per cent.

Neither Bluebird nor Financiere Fransad was available for comment yesterday.

Bluebird's shares closed unchanged at 30p. The high this year was 155p.

EFG

EFG, the USM-quoted forestry group with interests in home and leisure products, fell £84,000 into the red in the year to September 30. Taxable profits in the previous year were £2.01m.

Turnover improved to £49.88m (£42.26m). Earnings dropped to 1.26p (10.18p) and the final dividend is being omitted (2.25p) leaving shareholders with 1.25p (3.5p) for the year.

I&S Optimum Trust

Net asset value of I&S Optimum Income Trust amounted to 77.39p at November 30 1990. That compared with 98.37p at May 31 1990.

Available revenue for the six months to end-November totalled £1.29m against £1.01m for the half year to May 31. Earnings at November 30 worked through at 4.44p (3.5p at end-May 1990). A second quarterly dividend of 1.75p makes a half year total of 3.45p. The trust commenced business on October 27 1989 and for the period to end-May 1990 paid a total of 3.25p.

PE Kemp

Provisions amounting to £252,057 pushed PE Kemp to pre-tax losses of £421,561 in the year to October 31. Losses last year stood at £381,513.

The provisions related to obsolete and slow moving stock and trade claims and irrecoverable debt. Sales in the latest period fell from £3.12m to £3.08m.

The company designs and makes stage sets for theatrical productions and television.

Losses per share came through at 4.49p (5.01p).

Danae Inv Trust

The net asset value per capital share of Danae Investment Trust was 40.19p at November 30 – a decline of some 40 per cent on a year earlier and 31 per cent on the trust's year-end at end-May.

Earnings per income share for the six months to end-November emerged at 3.26p (4.12p) from net revenue of £229,836 (£296,997). The interim dividend is held at 3.375p.

Lynx Holdings

Lynx Holdings, the USM-quoted electronic equipment manufacturer, reported pre-tax profits of £225,000 on turnover of £4.24m in the period from October 13 to the end of September.

Lynx was formed in October 1989 to raise capital and acquire Lynx Group, which in the year to March 31 1989 incurred losses of £2.28m.

The funds raised enabled the group to close or sell the loss-making businesses at a cost of £391,000, which was written off as part of the goodwill arising on acquisition of the businesses.

Earnings per share were 3.7p. A single final payment of 0.75p is proposed.

The shares closed up 5p at 21p.

Flextech

Flextech, the USM-quoted oil services group which diversified into television programme distribution, yesterday unveiled taxable profits of £3.13m for the six months to September 30.

The outcome – an advance of 42 per cent on £2.21m in the corresponding period – came on turnover of £22.81m (£14.79m).

Earnings per 10p share worked through at 6.9p (5p) basic or 6.4p (4.6p) fully diluted.

Harmony Leisure

After an increase of £136,000 to £276,000 in net interest charges, Harmony Leisure, which manages hotels, public houses and restaurants, reported a pre-tax loss of £190,000 for the six months to September 30.

At the same stage last year profit amounted to £134,000, but the outcome for the whole year showed a pre-tax loss of £1.08m.

COMMODITIES AND AGRICULTURE

Gold rises strongly on cut in Fed's discount rate

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE rose strongly yesterday, boosted mainly by the cut in the US Federal Reserve's discount rate. The price moved through some important technical resistance points and analysts suggested gold had consequently entered a higher trading range.

Silver and platinum prices also rose strongly yesterday but platinum's performance was mainly influenced by fears about possible chaos in the Soviet Union, the world's second-largest producer, following the resignation of Mr Eduard Shevardnadze, that country's foreign minister.

At one point yesterday gold's price in London reached US$387.80, nearly $7 a troy ounce ahead of the overnight level. This followed its sharp rise on the New York Commodity Exchange late on Wednesday which traders said was sparked by investors who believed the discount rate cut signalled that the US authorities were easing up their fight against inflation. Gold eased back in London yesterday, closing at $385.25 an ounce, up by $5.05 from Wednesday.

Mr Wiktor Bielski, analyst at the Carr Kitcat & Aitken financial services group, said that there was little trading volume yesterday because many dealers were closing their books before the year-end. "But dealers don't want to be short of gold over Christmas because of the uncertainties in the Gulf."

Gold had moved into a higher trading range, between $380 and $400 an ounce, suggested Mr Bielski. The next technical resistance point was at $385.60.

Silver closed in London last night at $4.10 a troy ounce, up 12.90 cents.

Mr Ted Arnold, of Merrill Lynch financial services group, said market sentiment wanted silver to recover from recent steep falls and the US discount rate cut had given it an excuse. However, yesterday's price rise had already attracted some selling and some producers would certainly move in to sell once the silver price reached $4.30 to $4.40 an ounce.

Platinum closed in London $9.60 an ounce up from the overnight level at $426. Mr Arnold suggested that if the platinum price moved up to $440 an ounce there would be substantial forward selling by the Soviet Union and Japanese traders.

Angola is to rejoin diamond cartel

By Kenneth Gooding, Mining Correspondent

ANGOLA, THE only substantial gem diamond producer outside the marketing cartel operated by De Beers of South Africa, is to rejoin as part of a deal which will see De Beers lend Angola US$50m to increase present output.

De Beers will spend at least another $50m to evaluate a promising deposit at Camutue in north eastern Angola and prospecting for other new sources of diamonds.

If mining follows, De Beers and Endiama, the Angolan state diamond company, will form a *joint* development company. De Beers estimates the cost of developing a major new kimberlite diamond mine is about US$1bn.

Angola left the cartel operated by De Beer's Central Selling Organisation (CSO), which controls at least 80 per cent of world trade in rough (uncut) diamonds, in 1985. Talks about the country rejoining have been dragging on for 18 months.

The South African group seems to be making substantial concessions to attract Angola back into the *fold*. It will market only the output of Endiama's Cuango division – leaving about 20 per cent of Angola's diamonds to be sold through other channels.

De Beers will also build and lease to Endiama a diamond sorting centre in Luanda.

Angola had been pressing for a sorting centre because of the added-value it would give to diamond output but De Beers officials have in the past insisted such an operation would be uneconomic.

Fish quota agreement reached

By David Gardner in Brussels

EC Fisheries Ministers last night reached an unexpectedly rapid agreement on reducing catch quotas for next year, aided by the European Commission's decision to postpone for six months its insistence that radical measures to preserve fish stocks be adopted as part of the package.

Though Mr Manuel Marin, EC Fisheries Commissioner, criticised ministers for their "lack of political courage" in failing to agree on the so-called "technical conservation" measures, he said that the near unanimity behind the final package had "broken the curse that has hung over fisheries councils".

Only Greece voted against the agreement, which pushed the Total Allowable Catch (TAC) in the critically depleted North Sea stock of cod marginally above Commission recommendations. The EC share of the cod TAC will now be 93,570 tonnes, up from the Commission's target of 85,700 but still down on last year's 98,270. The main country affected, the UK, has its quota only marginally down on last year's 46,180 tonnes to 43,970. The Commission managed to get agreement on the TAC for haddock, the other North Sea stock identified by independent scientists as under threat, at 40,500, marginally down on last year.

The Council was also able to agree on important "structural" conservation measures. The most controversial was that vessels in those areas of the North Sea with a concentration of immature cod would stay in port fpr 10 consecutive days each month. This has now been reduced to eight days. Relatively generous EC funding to promote the decommissioning of vessels to reduce overcapacity are also to be introduced.

But what the Commission had regarded as the measures critical to its conservation drive – the increase in net mesh sizes to 120 mm to allow immature fish to escape, the banning of drift-nets, and closer monitoring of quotas – were held out of the package by Mr Marin and given a new deadline of July 1, 1991.

"Time is running out", the Spanish Commissioner warned, and "political will and courage" would have to be summoned up "for measures that have to be adopted" to safeguard the future of the industry. He said after the meeting that he would not relent in his high-pressure campaign to push his programme through.

One of its main critics at the meeting had been Mr Carlos Romero, the Spanish Fisheries Minister, who was said to have described the measures as "immature and frivolous".

The UK and Denmark, however, are understood to be planning to offer their fleets the option of using 110 mm net mesh sizes in exchange for being able to get round the 8 days-a-month tie-up in port.

Tobacco growers are hot under the Collor

Brazil's industry is being hit by the president's economic package, says **Patrick Knight**

With demand growing strongly and world stocks shrinking, Brazil's 24 tobacco exporting companies decided to encourage the country's 120,000 tobacco planters by offering them a 67 per cent price increase early this year.

They anticipated that the area planted would increase by about 10 per cent, enough to meet growing demand.

But, in fact, no more tobacco will be available in Brazil in 1991 than this year's 365,000 tonnes, half of which is consumed internally. If bad weather persists, the crop could be smaller, while demand, led by that from eastern Europe, is far greater than anticipated.

Despite export prices being increased by 15 per cent this year and all stocks being sold, all the tobacco exporters whose headquarters are in Santa Cruz do Sul, in Rio Grande do Sul state, have lost money this year. Souza Cruz's leaf department managing director, Nelson Bennemann, says 1990 has been the worst year ever for the industry.

It has been a victim of Brazil's latest economic package of measures, the Collor Plan, named after the president, Fernando Collor,which could hardly have damaged the tobacco industry more if it had been designed to do so.

The industry builds up large stocks of cash each year to purchase the crop between January and April. As farmers deliver tobacco for processing, contracts are arranged for the following crop, as each farmer produces exclusively for one company, which also provides all the inputs he needs. On March 15 all the tobacco companies had their bank deposits frozen for the next 18 months and – with no cash available – they were forced to interrupt payments to farmers.

Just prior to the Collor Plan, the cruzado had been overvalued by about 50 per cent and it was anticipated it would be devalued by at least that amount by the new administration. In fact, the liquidity crisis caused the currency, now the cruzeiro, to rise against the dollar. But rather than being able to delay changing the proceeds from tobacco exports until the parity improved, tobacco companies were forced to convert the money prematurely to meet commitments.

In normal years, only about 2 per cent of tobacco farmers do not renew their contracts with the exporters, but this year almost 10 per cent did not renew.

Although it proved possible to find other farmers willing to take the place of those who ceased planting, and despite the fact that the physical area planted to tobacco, some 200,000 hectares, did not decline, newcomers inevitably produce less than those who have been growing tobacco year after year. If all this was not enough, growing conditions for the 1990-91 crop have been the worst for many years, pushing up production costs. The winter was excessively long and unusually cold, so many seedlings died and had to be replanted.

The spring and early summer has been one of the wettest on record, with over 1,000 mms of rain falling between early September and mid November in the main producing region. The tobacco companies used to give farmers emergency stocks of nitrate fertiliser to be used in case of heavy rains. But, anxious to keep nicotine levels down to a minimum because of current trends in demand, that practice was discontinued this year. Anxious to maximise yields, farmers had usually applied all the nitrates they had in stock whether it was needed or not, which pushed up nicotine levels in normal conditions.

Growing conditions for the 1990-91 crop have been the worst for years

The torrential rains washed the nitrates from the soil this year and three or four extra applications have been needed to keep the plants from wilting. The extra fertiliser had to be rushed to the farms and it has not always got there in time to save the plants.

The tobacco plants are lighter than usual and have more leaves, although quality is otherwise good. Better growing conditions towards the end of the year have rectified some of the earlier damage, but not enough to produce sufficient tobacco to meet demand.

Several factors are pushing up demand. There are virtually no tobacco stocks around the world now, while the Philip Morris factories in Brazil are making up to 24bn cigarettes for export to the Soviet Union, an order which will require about 25,000 tonnes of tobacco to fulfil. In addition to the cigarettes it is importing, the Soviet Union will need to import up to 100,000 tonnes of tobacco to meet a shortfall in its own crop, down by 25 per cent, following the removal of subsidies to growers.

Although the US crop increased this year, all the tobacco produced there will be required to make the extra cigarettes the US now finds it can export following the devaluation of the dollar. Imports of more than the 40,000 tonnes from Brazil last year may be also be needed in 1991.

Only Zimbabwe had a little more tobacco to sell. However this year's increase in production there is unlikely to be repeated in 1991, as the proceeds from tobacco exports have not been used to buy essential irrigation and other equipment, but diverted to other uses.

The rise in Brazil's prices, which are set between 50-65 per cent of those of US grown tobaccos, was absorbed almost unnoticed by all customers except those in the US itself, due to the revaluation of their currencies against the dollar in which Brazilian tobacco is priced. As the 1990/91 crop comes in, the companies are planning to offer farmers prices for the 1992 crop which will ensure they plant considerably more next year, although optimism is tinged with caution as to whether USSR production will bounce back, or whether the crop reduction will be permanent.

But the future of so many critical factors in Brazil, notably the exchange policy and the rate of inflation, remains unknown, so that fixing a price to be paid more than a year ahead is extremely difficult.

Despite this year's setbacks, Brazilian producers feel that no other producing region in the world is in a position to produce the quality tobacco they can at competitive prices. Tobacco is hand picked and initially graded on farms, which cannot be afforded by other producing countries.

Late start for the iron ore mating season

The price negotiations for the 1991 deliveries are going rather slowly, says **Bob Jones**

Nobody could accuse consumers or producers of iron ore of rushing into price negotiations for 1991 deliveries. The annual mating season, as it has come to be known, kicked off on December 7, a month later than usual, when Brazil's Companhia Vale do Rio Doce met French steelworks Sellae. But despite the fact that at least three other suppliers have tabled formal offers since then, no consumers have so far deigned to respond with a bid.

The Soviet Union and the US are self-sufficent in iron ore, so it is steelworks in Europe and Japan which set the international price. The Europeans and Japanese claim the suppliers' asking price is unrealistically high. All offers so far have followed the Brazilian company's lead in demanding an increase of about 19 per cent on the basic fines grade.

The consumers' reluctance to commit themselves derives from a widespread perception that the longer the talks can be delayed, the better will be their bargaining position. Output of liquid steel in Europe is about 3 per cent down this year on 1989, although production in Japan is marginally higher than last year's record 108m tonnes.

The steel mills appear to feel that until events in the Gulf unravel themselves and a surer picture of next year's steel demand can be seen, it is best to sit tight. Any fresh indication of deepening recession can only help their cause.

Global output of iron ore last year was a record 976m tonnes and availability in the international markets in the past two years has been exceptionally tight. Several of the world's major exporters are mining deposits which will become exhausted in the next few years. Unexpected developments such as the civil war in Liberia have combined to keep the supply/demand balance more or less intact.

The troubles in Liberia have caused one mine to close and halted moves to exploit a rich ore deposit in neighbouring Guinea. Bong Mining, in the western half of the country, was producing about 6m tonnes per year of pellets and concentrates when the war broke out last Christmas.

Overcapacity in pelletising in North America has caused the Canadians to cut production. Strikes at Canadian Steel mills have helped to reduce the country's steel output by more than 15 per cent this year. A four-month strike at the massive pellet producers run by Cleveland Cliffs in Michigan, US, enabled the company to run down stocks.

Any reduction in steel demand tends to cause consumers to reduce intake of the more expensive types of ore such as pellet and lump. It becomes more economical to keep sintering plants working to capacity processing the cheaper fines grade.

The lump market is in a stronger position. Japanese consumers, which depend heavily on supplies of lump from Western Australia, will be wanting to dent the record premium which lump fetches over fines in Japan as a result of last year's price talks.

Japan may be behind this year's pricing delay, as its steel output is set to reach 110m tonnes, 1 to 2 per cent higher this year than the excellent production levels of 1989.

In the past few days salesmen from the three largest Australian miners, Hamersley Iron, BHP-Utah and Robe River, have had their first round of talks with the Japanese steel mills. Japan is Australia's most important ore market and in the past an Australian mine has been known to break ranks with its rivals and settle cheaply with the Japanese in an effort to secure a high volume of shipments.

However such a deal would be at odds with the familiar pattern of the mating season in which Brazil's CVRD will be making the initial settlement with its German customers. Europe's lower demand for finished steel suggests the Japanese can rely on the Europeans not to bid too high. However few believe that the Japanese will be able to continue insisting that the 1990 price must be rolled over to 1991.

Apart from the civil war in Liberia, other events have combined to keep ore supplies tight. A month long strike at Hamersley, which ended at the start of December, is regarded as one of the more significant. Japanese importers, worried by the affects of the strike, estimated that Hamersley lost at least 3m tonnes in shipments from mine to port. Almost 2m tonnes worth of orders for Japan alone had to be switched to BHP-Utah and Robe River.

Events like this mean iron ore suppliers can claim that supply is sufficiently scarce to merit a significant price rise. In the past five years the price of fines has risen more than 30 per cent, so any further increase at face value seems unjustified – especially when comparisons are made with scrap prices, which have fallen sharply in Europe in recent months, but the ore producers argue that prices must rise in order to encourage investment in new mines.

Even if steelworks make the gloomiest forecasts of finished steel demand next year, modest price rises will probably be necessary. If a lack of investment led to shortages of iron ore, the integrated steel mills would be in trouble in their battle to keep market share against the scrap consuming electric furnace steelmakers.

●*Bob Jones is assistant editor at Metal Bulletin*

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel continued to rise on the LME yesterday as sentiment continued to be boosted by concern about the impact on supplies of a smelter fire at the Doniambo plant in New Caledonia. London robusta coffee prices closed generally firmer after an early sharp fall. The premium for nearby January over the March contract narrowed further to £20 a tonne. By the close, 2,138 lots had been deemed acceptable by London Fox, although not all of this is necessarily bound for the terminal market. Concern over the uncovered January position still continues therefore, with the total holding at just below 20,000 lots. London cocoa prices moved ahead in a rally from Wednesday's lows. "It's basically a positive sign, but with Ivorian arrivals looking good, whether we can hold at these levels for long is still questionable," one trader said. In Chicago news of the Soviet foreign minister's resignation sparked early selling across the grains. Market operators were uncertain what long-term effect Shevardnadze's resignation would have on the US-Soviet grain trade. But most feared a political shift could disrupt export relations between the two.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$22.00-2.16t	-.425
Brent Blend (dated)	$27.15-7.25	-.95
Brent Blend (February)	$26.20-6.30	-.45
W.T.I. (1 pm est)	$26.75-6.80t	-.65
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$256-260	+3
Gas Oil	$270-271	+3
Heavy Fuel Oil	$137-139	
Naphtha	$268-270	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$385.25	+5.05
Silver (per troy oz)♣	410.00c	+12.9
Platinum (per troy oz)	$426.00	+9.60
Palladium (per troy oz)	$89.55	+1.30
Aluminium (free market)	$1510	-25
Copper (US Producer)	115⅞c	+½
Lead (US Producer)	50c	
Nickel (free market)	391c	+7
Tin (Kuala Lumpur market)	15.01r	-0.05
Tin (New York)	261c	-2
Zinc (US Prime Western)	70c	
Cattle (live weight)†	109.45p	-0.79*
Sheep (dead weight)†	140.93p	-3.66*
Pigs (live weight)†	76.35p	-2.07*
London daily sugar (raw)	$246.6w	-1.00
London daily sugar (white)	$304.5w	+0.50
Tate and Lyle export price	£236.5	+0.50
Barley (English feed)	£122.5	
Maize (US No. 3 yellow)	£163.0	
Wheat (US Dark Northern)	£87	
Rubber (Jan)♥	50.75p	+0.50
Rubber (Feb)♥	51.00p	+0.50
Rubber (KL RSS No 1 Jan)	240.0m	+1.00
Coconut oil (Philippines)§	$335.0z	+20.0
Palm Oil (Malaysian)§	$320v	
Copra (Philippines)§	$230.0t	-10.0
Soyabeans (US)	£136.0	
Cotton "A" index	84.10c	+0.05
Wooltops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	215.80	215.60	215.60 214.20
May	218.00	218.00	218.00 217.00
Aug	221.60	221.60	221.00
May	222.20	224.00	221.00
White	**Close**	**Previous**	**High/Low**
Mar	301.2	301.8	301.5 300.0
May	300.5	300.6	301.0 300.0
Aug	307.0		307.5 306.5
Oct	287.0	287.1	287.5 286.5
Dec	282.5		282.0 281.0
Mar	283.0	283.0	282.5
May	285.0		284.5

Turnover: Raw 578 (1054) lots of 50 tonnes. White 562 (126) Paris- White (FFr per tonne): Mar 1543, Aug 1596, Oct 1497.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Feb	26.40	26.45	26.60 26.10
Mar	25.40	25.25	25.45 25.05
IPE Index	26.43	25.93	

Turnover 6273 (10763)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jan	258.25	255.00	259.75 253.00
Feb	245.25	242.00	245.50 239.75
Mar	230.50	230.00	231.00 226.25
Apr	216.00	212.50	217.00 212.00
May	210.00	209.75	208.00 208.00
Jun	208.00	210.00	203.00
Jul	205.00	204.00	205.00 204.00

Turnover 6075 (5072) lots of 100 tonnes

FRUIT & VEGETABLES
Avocados at 40-60p each (40-60p) are a superb buy this week, along with grapefruit at 15-20p each (15-20p), reports FFVIB. Poor Spanish weather has meant low supplies of satsumas at 40-55p a lb. Apples are a best buy with USA Red Delicious at 55-65p a lb, French Golden Delicious 45-60p a lb and homegrown Cox's 40-60p a lb. The recent snowfall means slightly lower vegetable prices with Brussel sprouts at 25-40p a lb, carrots 20-30p a lb and Christmas favourites parsnips at 35-40p a lb. Potatoes are good quality at 9-14p a lb. Spring onions are 35-50p a bunch, cucumbers 40-60p each and tomatoes 60p-£1.00 a lb.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	620	606	612 609
Mar	671	659	673 661
May	705	694	707 698
Jul	733	723	735 728
Sep	758	751	761 754
Dec	788	781	786 784
Mar	818	806	816 810

Turnover: 3186 (9754) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 19 874.88 (876.81) 10 day average for Dec 20 910.30 (915.30)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	600	604	600 580
Mar	580	577	579 567
May	584	582	585 575
Jul	602	598	600 591
Sep	617	608	611 605
Nov	632	625	626 621

Turnover: 3889 (3047) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 20: Comp. daily 72.76 (73.30). 15 day average 73.22 (73.12)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	133.5	133.7	135.0 133.5
May	152.9		153.0

Turnover 59 (45) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Jun	120.00	121.00	120.00

Turnover 40 (85) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1446	1470	1475 1443
Apr	1325	1370	1362 1325
Jul	1070	1090	1085 1070
BFI	1445	1443	

Turnover 195 (357)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	119.25	119.30	119.40 119.25
Mar	122.75	122.70	122.90 122.80
May	126.30		126.40 126.30
Sep	108.50		108.50
Jan	114.70		114.75
Barley	**Close**	**Previous**	**High/Low**
Jan	115.00	114.80	115.15 114.90
Mar	118.60	118.40	118.90 118.60
May	120.00	120.00	120.25

Turnover: Wheat 294 (28). Barley 71 (145). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	91.5		91.0
Apr	97.0	97.0	97.0
Aug	99.5		99.0

Turnover 18 (26) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 16,939 lots
Cash	1519-21	1531-3	1513/1508	1507-8		
3 months	1553-4	1565-6	1570/1545	1543-4	1558-60	59,103 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,161 lots
Cash	1315-7	1289-9	1293/1292	1293-4		
3 months	1325-5.5	1301-2	1336/1305	1305-6	1334-5	106,359 lots
Lead (£ per tonne)						Total daily turnover 2,467 lots
Cash	314.5-5.5	314-5	318/317	317-8		
3 months	329-8.5	327-9	332/327	331.5-2	327.5-8.5	10,433 lots
Nickel ($ per tonne)						Total daily turnover 2,776 lots
Cash	8450-500	8220-40	8450/8425	8400-25		
3 months	8440-50	8200-5	8500/8360	8360-60	8450-75	7,851 lots
Tin ($ per tonne)						Total daily turnover 7,957 lots
Cash	5805-25	5590-610	5815	5815-20		
3 months	5720-5	5710-5	5730/5700	5720-30	5710-5	7,793 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4 lots
Cash	1247-8	1249-51	1247/1239	1239-40		
3 months	1250-2	1253-4	1268/1242	1243-4	1256-8	19,455 lots

LME Closing £/$ rate: SPOT: 1.9075 3 months: 1.8804 6 months: 1.8582 9 months: 1.8389

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	158.60	157.60	158.60		
Jan	159.70	159.50	159.70		46
Feb	160.00		160.00		55
Mar	159.00	159.50	159.50		78
Jun	158.00	157.50	158.00		48
Sep	157.50		157.50		55
Dec	157.00	157.00	157.00		48

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz) $ price		£ equivalent
Close	385.00-385.50	
Opening	382.50-383.00	
Morning fix	384.45	199.71
Afternoon fix	385.45	200.78
Day's high	387.25-387.75	
Day's low	382.50-385.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	6.03	6 months	5.51
2 months	5.84	12 months	5.42
3 months	5.71		

Silver fix	p/fine oz	US cts equiv
Spot	2.13	4.10
3 months	2.20	4.18
6 months	2.27	4.25
12 months	2.40	4.40

TRADED OPTIONS

Coffee	Mar	May	Mar	May
550	45	50	16	17
600	20	24	41	41
650	8	11	79	78
Cocoa	**Mar**	**May**	**Mar**	**May**
650	48	79	27	24
700	27	50	56	45
750	14	32	93	77
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
2500		340		330
2550				
2600			150	400

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	385.2	386.0	388.5	384.8
Jan	385.9	386.9	0	0
Feb	386.7	388.0	391.0	386.0
Apr	390.0	391.4	395.0	389.2
Jun	393.7	395.0	397.7	393.5
Aug	397.1	398.5	400.7	399.5
Oct	400.5	402.1	404.0	401.0
Dec	404.0	405.8	0	0
Feb	407.7	409.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	418.6	416.1	0	0
Jan	418.9	416.4	423.5	418.5
Apr	423.9	421.9	429.0	423.0
Jul	427.9	425.9	433.5	429.3
Oct	431.5	429.5	433.0	432.3
Jan	438.5	434.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	419.9	409.5	431.0	410.0
Jan	421.3	411.0	424.0	415.0
Feb	423.8	413.5	0	0
Mar	426.3	416.0	440.0	415.5
May	432.1	421.6	446.0	422.0
Jul	437.6	427.0	440.0	426.0
Sep	443.2	432.5	443.5	437.0
Dec	451.1	440.2	451.0	447.0
Jan	453.2	442.2	0	0
Mar	458.6	446.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	112.60	112.50	114.20	112.50
Jan	112.40	111.60	113.30	111.50
Feb	111.80	110.70	112.30	112.00
Mar	110.05	108.90	111.30	108.90
Apr	108.80	107.80	0	0
May	107.55	106.60	108.30	106.80
Jun	106.35	105.45	0	0
Jul	106.15	104.30	106.00	105.20
Aug	104.45	103.60	0	0
Sep	103.80	102.85	104.60	103.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	26.88	26.93	27.15	26.65
Apr	25.00	25.18	25.40	24.95
May	24.24	24.40	24.57	24.20
Sep	22.40	22.66	22.60	22.35
Oct	22.30	22.49	22.40	22.40
Nov	22.15	22.37	22.50	22.26

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	7975	7784	7980	7800
Feb	7715	7800	7760	7620
Mar	7280	7250	7340	7200
Apr	6840	6825	6900	6825
Jul	6200	6195	6250	6200
Aug	6250	6225	6250	6225

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1166	1159	1174	1159
May	1205	1204	1214	1203
Jul	1250	1242	1254	1245
Sep	1289	1281	1292	1289
Dec	1321	1320	1327	1321
Mar	1356	1355	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	90.75	91.60	92.00	90.30
May	93.10	93.90	94.30	92.60
Jul	95.35	96.00	95.40	95.00
Sep	97.50	98.10	98.25	97.10
Dec	100.45	100.90	0	0
Mar	102.50	102.00	0	0
May	104.25	103.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.67	9.67	9.68	9.60
May	9.76	9.75	9.76	9.70
Jul	9.80	9.79	9.80	9.75
Oct	9.83	9.80	9.83	9.75
Mar	9.86	9.86	9.86	0
May	9.89	9.89	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	76.55	75.74	76.65	75.66
May	75.80	75.10	75.80	74.93
Jul	75.20	74.65	75.20	74.50
Oct	68.40	68.10	68.40	67.80
Dec	65.40	65.20	65.48	65.25

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	120.00	110.05	120.05	111.00
Mar	116.55	111.55	116.55	111.50
May	117.65	112.65	117.65	113.00
Jul	118.35	113.35	118.35	114.50
Sep	118.75	113.75	117.00	114.75

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 20	Dec 19	mnth ago	yr ago
1708.2	1709.0	1704.5	1801.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 19	Dec 18	mnth ago	yr ago
Spot	123.35	123.20	123.40	127.77
Futures	126.41	125.84	124.40	129.67

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	570/6	578/2	576/0	578/2
Mar	585/6	591/2	591/2	585/0
May	600/6	605/6	605/4	599/6
Jul	613/2	618/4	618/4	612/4
Aug	616/4	621/6	621/0	616/4
Sep	611/4	616/0	615/0	611/0
Nov	615/2	617/6	618/0	613/0
Jan	626/4	630/2	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	20.83	20.74	20.95	20.62
Mar	21.22	21.13	21.34	21.05
May	21.52	21.48	21.67	21.40
Jul	21.71	21.69	21.83	21.55
Aug	21.65	21.62	21.65	21.60
Sep	21.65	21.54	21.65	21.55
Oct	21.57	21.50	21.60	21.55
Dec	21.60	21.45	21.80	21.50
Jan	21.52	21.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	169.2	172.7	172.2	169.0
Mar	174.4	177.6	177.5	174.0
May	178.6	181.7	181.2	178.0
Jul	182.3	185.5	185.1	182.0
Aug	183.5	186.7	186.5	183.5
Sep	183.5	185.7	185.5	183.5
Oct	183.0	186.0	185.5	183.0
Dec	186.0	189.0	188.0	185.0
Jan	184.5	187.0	187.0	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	249/6	251/0	250/4	249/0
Mar	234/4	235/2	235/0	233/2
May	242/0	242/4	242/2	240/4
Jul	248/0	248/6	248/4	247/0
Sep	249/0	250/2	250/0	248/6
Mar	256/4	258/0	257/0	256/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	260/4	261/6	262/0	259/2
May	267/4	269/6	269/2	267/0
Jul	271/2	273/6	273/0	270/0
Sep	277/2	278/4	279/0	276/0
Dec	290/0	290/0	290/2	289/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.35	80.50	80.85	80.20
Feb	76.60	76.52	77.05	76.35
Apr	76.82	76.60	76.87	76.30
Jun	74.36	74.45	74.60	74.10
Aug	72.82	72.65	73.00	72.60
Oct	72.87	72.90	73.00	72.65
Dec	73.82	73.75	73.90	73.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.25	49.60	49.45	49.10
Apr	47.37	47.57	47.65	47.15
Jun	50.70	50.95	50.90	50.55
Jul	50.60	50.70	50.87	50.50
Aug	49.37	49.52	49.52	49.20
Oct	44.20	44.20	44.30	0
Dec	45.00	50.40	0	45.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.07	64.10	64.55	63.50
Mar	63.65	63.62	64.20	63.30
May	64.30	63.95	64.75	63.80
Jul	64.57	63.77	64.85	63.80
Aug	62.38	61.77	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Soviet news sparks losses in equities

THE RESIGNATION of Mr Eduard Shevardnadze, the Soviet foreign minister, sent UK share prices sharply lower yesterday as investors endeavoured to programme this new and exceedingly disturbing factor into an already troubled investment scene. The news came around 9.30am in the London trading session, and a fall of six FT-SE points was quickly extended to almost 30 points at the day's low. Selective buying later cut reduced losses by about one third. A potentially more unsettling factor came when ICI warned City analysts that they were aiming too high in terms of profit expectations for this year from Britain's biggest chemical group.

The unsettling news from the Soviet Union added new uncertainty for investors already facing the prospect of the deepening recession in the UK and the threat of impending hostilities in the Gulf. At the close, the London equity market was down by 19.9 points at 2,158.8, or about 1 per cent lower on the day. This compared fairly favourably with the fall of more than 2 per cent in European shares as measured by the FT-SE Eurotrack Index.

Account Dealing Dates		
*First Dealings:		
Dec 10	Dec 31	Jan 14
Option Declarations:		
Dec 27	Jan 10	Jan 24
Last Dealings:		
Dec 28	Jan 11	Jan 25
Account Day:		
Jan 7	Jan 21	Feb 4

*New-time dealings may take place from 9.30 am two business days earlier.

UK equities were steadied by the perception that the uncertainties over the outlook for eastern Europe would have more immediate effect on other stock markets in western Europe. German companies, for example, are perceived to be more directly involved in the potential restructuring of the industrial and commercial superstructure in Poland, the Soviet Union and the former East Germany.

The fall in equities in London was also softened by further selective support for some sectors, reflecting both technical operations ahead of the year end and also the relatively optimistic outlook for equities for the medium term. International stocks were helped by firmness in the US dollar.

London is regarded as comparatively well-valued against other European markets and yesterday's developments are likely to emphasise such assessments. However, market strategists made little attempt to assess the implications of Shevardnadze's unexpected decision beyond agreeing that it could have widespread effects on the political outlook for Europe.

ICI's hints on the profits outlook rang warning bells in a market which sees the group as a significant pointer to both the industrial and financial fortunes of UK business. It deepened concern over the onset of recessionary pressures in the UK which was emphasised by the 3.8 per cent fall in capital investment between the second and third quarters of this year disclosed by the UK Central Statistical Office.

Seaq trading volume jumped to 590.2m shares yesterday from the 509.3,3m of the previous session but traders maintained that selling pressure had been moderate. Data from the International Stock Exchange (ISE) shows that daily retail investment in equities has remained relatively high over the past week as the institutions have struggled to balance portfolios ahead of the year-end, which will, in stock market terms, effectively take place tonight. Data for Tuesday shows that retail business moved above the £1bn mark again, returning to the improved levels recorded last week.

Traders reported significant buying interest in selected areas, particularly in the privatisation stocks which, as utility sectors, are likely to outperform during a period of general market uncertainty.

FINANCIAL TIMES STOCK INDICES

	Dec 20	Dec 19	Dec 18	Dec 17	Dec 14	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.64	82.83	82.74	82.87	83.37	84.49	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.97	91.14	91.06	90.93	91.14	92.67	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1687.2	1707.1	1694.2	1690.2	1701.2	1858.8	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	145.2	137.2	136.2	140.1	138.8	315.0	378.5 (6/2)	136.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2158.8	2178.7	2161.8	2157.9	2168.4	2353.0	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	944.03	966.28	972.98	972.00	992.71	-	1003.35 (6/12)	944.03 (20/12)	1003.35 (6/12/90)	944.03 (20/12/90)
Ord. Div. Yield	5.69	5.62	5.66	5.67	5.65	4.59				
Earning Yld %(full)	11.88	11.74	11.81	11.84	11.79	11.22				
P/E Ratio(Net)(☆)	10.17	10.28	10.22	10.20	10.25	10.79				
SEAQ Bargns 4.45pm	27,380	23,829	23,605	25,305	32,604	33,419				
Equity Turnover(£m)†	-	953.78	1098.25	839.26	957.44	833.68				
Equity Bargains†	-	23,640	23,983	26,788	35,830	35,148				
Shares Traded (ml)†	-	487.6	531.4	314.7	444.2	393.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 18.66

Ordinary Share Index, Hourly changes — Day's High 1703.2 — Day's Low 1679.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1703.0	1702.5	1690.7	1687.4	1682.3	1683.0	1680.4	1681.7	1685.3

FT-SE, Hourly changes — Day's High 2172.5 — Day's Low 2149.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2172.3	2172.3	2159.1	2157.9	2154.1	2154.3	2149.7	2151.1	2155.9

FT-SE Eurotrack 100, hourly changes — Day's High 951.16 — Day's Low 941.48

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
948.46	950.15	950.24	948.39	946.65	945.52	942.55

GILT EDGED ACTIVITY

Indices*	Dec 19	Dec 18
Gilt Edged Bargains	81.1	91.3
5 – Day average	88.4	91.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	200	110	-2	Dixons	1,300	140	+2	Marks & Spencer	4,800	226	+2½	Smith & Nephew	1,800	135	
ASDA Group	3,700	118	-2½	ECC Group	2,500	340	+8	Maxwell Comms.	372	150	-1	SmKl Beecham	1,000	628	+8
Abbey National	1,300	229		Eastern Elect.	5,900	142½	-½	Midland Bank	4,000	186	-3	SmKl Beecham Uts	753	[illegible]	[illegible]
Allied-Lyons	3,600	476	-8	East Midland Elect.	3,700	151		Midlands Elect.	4,000	149	+4	Smiths Inds.	308	[illegible]	[illegible]
Amstrad	687	85	+½	Enterprise Oil	365	608	-4	NatWest Bank	1,800	265	-5	Southern Elect.	3,700	148	[illegible]
Anglian Water	303	266½	-4½	FKI	397	48	+½	Next	10,000	16	+½	South Wales Elect.	1,100	162	
Argos	538	244	+1	Ferranti	839	14		North West Water	2,100	259½	-1	South West Water	142	280	-2
Argyll Group	3,100	252	-½	Fisons	1,500	377	-3	Northern Elect.	2,600	151	+5	South West. Elect.	3,300	153	+2
Ass. Brit. Foods	982	418	-2	Gen. Accident	1,200	498	+3	Northern Foods	460	338	-4	Southern Water	600	238	-
BAA	642	412	-2	General Elect.	3,400	177	-1	Northumbrian Water	86	272	-8	Standard Chartd.	2,800	261	-2
BAT Inds	3,100	595	-3	Glaxo	3,700	844		Norweb	3,200	153		Storehouse	191	114	-1
BET	8,500	166	-1	Glynwed Int.	80	217	-2	Pearson	901	690	-10	Sun Alliance	1,300	339	+2
BICC	407	353	-5	Granada	2,800	189	-1	P & O	157	679	-8	Sun Life	2	1110	-10
BOC	834	498	-8	Grand Met.	4,400	682	-9	Pilkington	1,600	180	-2	T&N	808	153	-4
BPB Inds.	1,200	180	+2	GUS A	207	1029		Prudential	3,300	197	-2	TI Group	229	410	-5
BTR	2,100	328	-7	GRE	5,600	180		RHM	624	289		TSB	2,100	137	-1
Bank of Scotland	1,100	113	-2	GKN	1,300	327	-8	RMC	614	649	-8½	Tarmac	2,400	217	-2
Barclays	3,300	356	-5	Guinness	1,500	775	-8	RTZ	1,600	453	-4	Tate & Lyle	553	373	-1
Bass	352	1064	-8	Hammerson 'A'	1,300	624	-5	Racal	4,200	191	-4	Taylor Woodrow	217	113	
Beazer	318	93	-1	Hanson	11,000	195½	-½	Racal Telecom	531	269	+1	Tesco	4,800	232	-1½
Beresford Int.	1,100	18		Hanson Warrants	411	34		Rank Org.	3,800	640	-3	Thames Water	780	260	-3
Blue Circle	1,500	217	-2	Harrisons Crosfield	2,800	137	+1	Reckitt & Colman	291	1292	+1	Thorn EMI	300	687	-3
Boots	3,500	327		Hawker Sidd.	681	440	-1	Redland	311	558	-5	Trafalgar House	10,000	199	+2
Brit. Aerospace	1,500	526	-4	Hillsdown	1,000	252	-3	Reed Intl.	2,200	375	-1	Trusthouse Forte	2,300	247½	-4½
British Airways	1,800	144	-2½	IMI	728	206		Reg. Elect. Pkg Uts	18	£1530	+7	Ultramar	3,000	314	-7
British Gas	3,400	229½	-4½	ICI	2,200	886	-24	Reuters	2,800	659	-11	Unigate	1,700	270	
British Land	549	280	-5	Inchcape	1,600	294	-1	Rolls Royce	3,300	180	-2	Unilever	1,900	887	-10
BP	6,300	302	-1½	Kingfisher	1,700	368		Rothmans	552	746	-12	United Biscuits	1,200	319	-2
British Steel	7,300	117½	-½	Ladbroke	11,000	249	-5	Ryl Bk Scotland	338	157	-1	Utd. Newspapers	404	311	+2
British Telecom	5,700	291	-2	Land Securities	880	532	-4	Royal Insurance	1,100	402	-9	Water Package Uts.	8	£2553	-30
Bunzl	491	89	-1	Laporte	572	495	-5	STC	86	322		Wellcome	2,000	441	-22
Burmah Castrol	451	504		Legal & General	861	375	-7	Saatchi	234	32		Welsh Water	88	270	-6
Burton	973	82	-1	Lloyds Abbey	371	335	+1	Sainsbury	2,200	305	-3	Wessex Water	184	251	-3
Cable & Wire.	1,900	452	-6	Lloyds Bank	1,500	284	+2	Scottish & New	528	365	-6	Whitbread 'A'	845	431	-2
Cadburys	1,300	324	-3	LASMO	1,900	378	-10	Sears	3,000	83	-3	Wiggins Teape	1,900	182	-1
Calor Group	36	235	-2	London Elect.	4,300	147	+1	Sedgwick	308	231	-3	Williams Hldgs.	10,000	230	
Carlton Comms.	3,900	384	+7	Lonrho	1,500	219	+3	Seeboard	2,800	148	-2	Willis Corroon	840	280	-6
Coats Viyella	2,200	107	+1	Lucas	2,400	141	-4	Severn Trent Water	598	230½	-4½	Wimpey	1,200	204	-1
Comm. Union	1,700	480	-10	MB Caradon	132	165	-3	Shell Transport	4,000	457	-5	Yorkshire Elect.	5,500	168	-1½
Cookson	815	102	-2	MEPC	889	499	-4	Siebe	400	332	-6	Yorkshire Water	455	261	-5
Courtaulds	1,200	336	-7	Manpower	800	58		Slough Ests	1,200	236	-12				
Dalgety	743	350	-1	Manweb	2,400	178	+3	Smith (W.H.) A	998	375	-3				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

ICI profit forecasts trimmed

ICI fell after the company contacted analysts, in what has become an informal monthly briefing, telling them to cut estimates of this year's profits to below £1bn. Brokers typically took £50m from this year's figure, leaving it at between £960m and £985m. Prospects for 1991 were less clear, with between £850m and £885m pencilled in.

At the more bearish end of the range of views, Mr Charles Lambert at Smith New Court said that profits at the Tioxide and South African operations were falling "rapidly". ICI had also made large redundancy provisions and investors should sell down to 815p. Even more cautious, Mr Alasdair Nisbet at UBS Phillips & Drew said profits would fall yet again in 1992. He said there were doubts that the dividend could be maintained, and recommended selling beyond the 9 per cent yield regarded as a buy level by many other analysts.

Kleinwort Benson was among the least negative; partly because of wider economic considerations. "Sell down to 850p," said Mr Jeremy Chantry.

ICI dropped 33 at one point before closing 24 off at 886p. Turnover was a steady 2.2m.

ECC amends deal

Industrial materials major ECC greeted the revised arrangements for the acquisition of Georgia Kaolin euphorically. While other leading UK equities were falling quite steeply as international markets reacted to latest eastern European political events, shares of ECC rose strongly to close 8 higher at 340p.

The original price of the Georgia purchase did appear very onerous at £310m and following discussions with the US anti-trust authorities ECC has concluded a more limited acquisition which should facilitate completion of the purchase. For this it has agreed to pay £176m cash. The purchase price will be financed from bank and credit facilities and the group's internal resources.

Nikko Securities researcher Mr Tad Phillips echoed the views of many analysts, saying the amended deal is positive news. The purchase increases US exposure and enables ECC to do more business there, benefits will arise from rationalisation and it reinforces ECC's position in world markets, which are getting tighter, he said.

There were two damaging stories in the oil and gas sector. Firstly, Kelt Energy said it had failed to attract "acceptable bids" for its interest in the Wytch Farm oilfield and secondly Union Texas, the Texas-based oil group, announced it is abandoning its plan to auction itself due to lack of high enough offers.

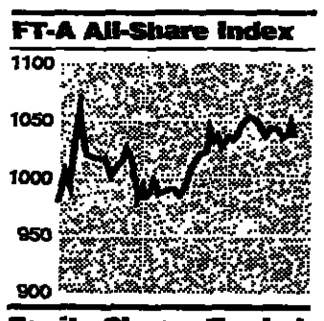
The latter story brought further pressure to bear on Ultramar as Union's biggest asset is its share in Ultramar's Indonesian liquefied natural gas project. Ultramar shares, weakened recently by talk of shrinking refining margins in California, dipped 7 more to 314p.

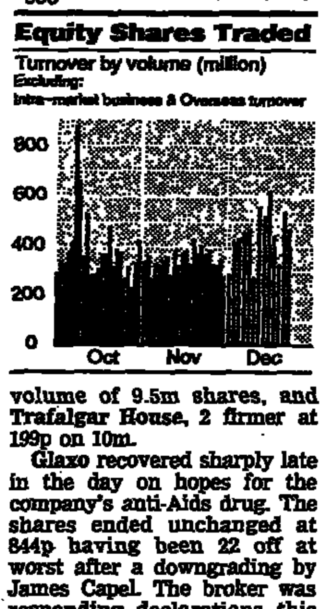
The oil team at BZW did the damage in the exploration and production sub-sector in oils, telling clients to sell Clyde, Enterbprise, Premier and Monument on the basis that the failure of Kelt Energy to sell its interest in Wytch Farm is symptomatic of a weakening market for oil and gas assets. "It serves to highlight the gross overvaluation of most of these stocks, said BZW. "We see 30 per cent downside in the sub-sector and advise clients to sell now rather than trying to get out in a spike caused by the Gulf crisis.

Wytch Farm stocks were also badly treated by the market with Goal 6½ off at 83p. Clyde lost 4 to 155p and Premier 3 to 61p. Kelt's failure to sell the Wytch Farm stake saw the shares drop to 2¾p before closing 1¾ off at 3¾p.

A mood of uncertainty gripped Foseco awaiting today's 1pm deadline on the final offer from Burmah Castrol. Views were split on whether or not Burmah would gain sufficient acceptances to carry the day. Having reached the maximum permitted level of 29.9 per cent, Burmah is not allowed to buy shares of Foseco shares in the market and the low trading volume reflected this situation yesterday. Foseco eventually closed 7 down at 286p, compared with the 300p cash per share offered by Burmah. The latter's shares ended unchanged at 504p.

Completion of overnight tax-related transactions swelled turnover in both BET, marginally easier at 166p after trading volume of 9.5m shares, and Trafalgar House, 2 firmer at 199p on 10m.





Glaxo recovered sharply late in the day on hopes for the company's anti-Aids drug. The shares ended unchanged at 844p having been 22 off at worst after a downgrading by James Capel. The broker was responding declarations this week from Sweden's Astra, which makes a rival to Glaxo's best selling drug, that it was gaining market share. Capel cut next and the following year's profits forecasts by £50m and £100m respectively, leaving them at £1.3bn and £1.45m.

Wellcome, which makes the only approved Aids treatment Retrovir was 29 lower at one point before closing at 441p down 22 on the day.

News of two big shareholdings taken by US investors via American Depository Receipts held the Bank of New York kept interest in the electricity stocks bubbling along. It was revealed that BNY Nominees spoke for a 5.7 per cent stake in Manweb, shares of which edged up 3 to 178p, and Yorkshire Electricity which settled a penny off at 168½p after news that BNY Nominees were responsible for a 5.7 per cent stake in the North of England company.

There was little response from the market to the latest stake revelations - the most important holding in the electricity stocks (discos) was the near 10 per cent holding announced by Welsh Water in South Wales Electricity last week.

Nevertheless dealers said there was evidence of the emergence of a keen buyer of many of the electricity stocks. The big banks are cranking up their big dealing operations to absorb any blanket selling by the small investor.

The best performer in the discos yesterday was Northern, up 5 at 151p on 2.8m, closely followed by Midland, 4 better at 149p on 4m and Manweb, 3 higher at 178p on 2.4m. Yorkshire slipped a penny to 168½p on 5.5m and Eastern were heavily traded - 5.9m were posted on Seaq.

Transport Development Group triggered some excitement as talk spread that Proventus International were increasing their stake in the company. TDG later announced that Proventus had acquired a 14.6 per cent stake. Mr Mark Laurence at Carr Kitcat Aitken pointed out that with a relatively high net asset value of 185p per share. TDG looked good value at its present share price of near 200p and that there was a fair chance that Proventus has actually acquired more than the announced 14.6 per cent. TDG closed up 8 at 218p.

United Biscuits eased 2 to 319p as Smith New Court trimmed its profits forecasts. This year's figure is cut by £3m to £195m. Appletree, involved in prepacking and wholesale marketing of agricultural produce and fruit, jumped 15 to 90p after the company posted a 37 per cent rise in profits to £2.5m.

Water stocks did not escape the overall market decline; dealers said there had beenwidespread but generally minor selling throughout the list of water companies. The Water Package declined 30 to £2553, having dipped to £2543.

Of the footsie stocks Anglian Water ran back 4½ to 266½p as did Severn Trent, 230½p, while Thames fell 3 to 260p. There was evidence of a bed and breakfast deal in Severn, specialists noted. Among smaller issues Northumbrian lost 8 to 272p and Southern 7 to 238p.

Anglo United, the fuels to chemicals company, drew interest as Smith New Court tagged the stock a "speculative buy". Anglo announced lower interim profits recently but this did not reflect the underlying position, according to Smith. More importantly it has been successfully reducing the level of debt following last year's acquisition of the much larger Coalite group.

The stability and cash-generative nature of the Coalite business, contined Smith, makes Anglo's low interest cover less risky than would otherwise be the case. "Following the current year of transition, prospects of 6p or more eanings per share in 1991/92 should improve the share price rating." Against the wider market weakness, Anglo shares closed 1½ up at 34p.

A single seller of 500,000 Trusthouse Forte shares left the price 4½ lower at 247½p.

Analysts continued to take a cautious line on Ladbroke, only adding to the poor sentiment engendered by talk of a line of 6m left in the hands of one broker after programme trades earlier in the week. Ladbroke fell 10 at one point before recovering to 249p, a net decline of 5. At least one trader yesterday suggested that the shares were the victim of a bear raid – the making of profits on a falling share price after negative stories have been spread.

Carlton Communications recovered 7 to 384p as traders decided that a rumoured approach to television contractor TVS, to take a stake in the company, had not resulted in a large cash payment by Carlton. TVS eased a penny to 75p.

The growing likelihood that interest rates would not fall as early as the market had hoped found investors increasingly disenchanted with the property sector. Great Portland Estates announced that it is to acquire a property portfolio of 30 "mostly retail properties" from Sears. Great Portland will pay for its £68.7m acquisition through an issue of 19m new ordinary shares at 213p, £4.5m of cumulative unsecured loan stock and £21.2m cash. The placement of 9.5m of these ordinary shares at a discount to the market price dragged the share price down but it steadied to finish 6 lower at 220p. Sears is to retain the remaining 9.5m shares for at least one year.

As hopes were dashed for an early base rate cut the market chose to turn its back on other property companies with substantial borrowings. But the general gloom surrounding the property sector prompted some market specialists to observe that investors appeared to be clearing out their books before Christmas. Rosehaugh, dropped 10 to 77p ahead of its general meeting today and Greycoat eased 6 to 371p. British Land lost 5 to 280p while Slough Estates fell 12 to 236p.

Smith New Court, the investment house, held up well at 96p,although the view of brokers Laing & Cruickshank was that it remained concerned about Smith's level of distributable reserves given its commitment to a steady and sustainable increase in the dividend and the volatility of earnings. "Some form of capital raising exercise is a strong likelihood," said Laing.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (13).
ELECTRICITY (1) INDUSTRIALS (2) Nu-Swift, Sycamore, TRUSTS (10).
NEW LOWS (169).
AMERICANS (3) CANADIANS (1) BANKS (3) BREWERS (1) BUILDINGS (11) CHEMICALS (1) STORES (1) ELECTRICALS (8) ENGINEERING (6) FOODS (2) HOTELS (1) INDUSTRIALS (12) American Business Systems, Daimler Benz, Elkem, Forwell, Hadleigh Industries, Intercara, Johnston Group, S.E.P. Industrial, Stocklake, TLS Range, Whitecroft, Wyko, LEISURE (4) MOTORS (1) NEWSPAPERS (3) PAPERS (7) PROPERTY (8) TEXTILES (1) TRANSPORT (3) TRUSTS (15) OILS (12) OVERSEAS TRADERS (2) PLANTATIONS (1) MINES (7).

APPOINTMENTS

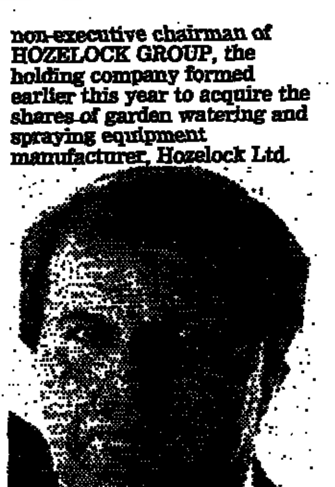
Managers move at NatWest

■ Mr David Haigh has been appointed deputy general manager of NATIONAL WESTMINSTER BANK's group financial control, where he is currently an assistant general manager. Mr Norman Berman retires on December 31 as deputy general manager and group chief accountant. Mr Ray Cottle becomes group chief accountant, continuing as assistant general manager.

■ Mr Peter Thompson is to become managing director of CHANCELLOR INSURANCE COMPANY, a subsidiary of the Chancellor Group of Vancouver, early in the New Year. He is a director of commercial lines underwriting in the London & Edinburgh Insurance Company (Excess Insurance Company).

■ STANDARD CHARTERED INTERNATIONAL TRUSTEE has appointed Mr Darwin Wai-Keung Doo as group financial controller. Mr Doo was manager, regional finance department, Hong Kong office, Standard Chartered Bank Hong Kong Trustee.

■ Mr David Hargreaves, a former chairman of Hestair, has been appointed non-executive chairman of HOZELOCK GROUP, the holding company formed earlier this year to acquire the shares of garden watering and spraying equipment manufacturer, Hozelock Ltd.



■ THE SPRING RAM CORPORATION has appointed Mr Stuart Greenwood *(pictured)* as main board director responsible for financial control, investor relations and business development. Mr Greenwood was previously group finance director, corporate development director and chairman of the materials handling division of Henry Barrett Group.

■ PREMIER TEAS, part of Hillsdown Holdings, has appointed Mr Patrick Davis as managing director and Mr John Tugman as marketing director. Mr Davis was responsible for marketing Premier Teas from 1986 and general manager and director for Mainstream Teas since 1989. Mr Tugman was previously director of new product development.

■ GREAT LAKES REINSURANCE (UK) is making the following appointments on January 1: Mr Philipp Ruperti becomes deputy general manager and Mr Robert Katzaros is madeunderwriter.

■ Sir David Thomson has been appointed a non-executive director of G.&.G. KYNOCH, the medical and scientific group with interests in textiles. He is a director of a number of other public companies including Cairn Energy and Life Association of Scotland.

■ Sir Michael Franklin has been appointed a non-executive director of WHITBREAD & CO. He is a director of Barclays Bank, and recently retired from the Civil Service.

■ EARLS COURT OLYMPIA is making the following management changes on January 1: Mr Leslie Overs retires as non-executive deputy chairman, but remains on the board as a director; Mr David Fasken, previously managing director of Earls Court and Olympia, becomes deputy chairman; Mr Hugh Scrimgeour, deputy managing director and director of finance, becomes managing director of Earls Court and Olympia; and Mr Russell Taylor becomes group financial controller of Earls Court and Olympia, promoted from financial director of Ecando Systems which he joined a year ago.

■ Mr John Muir, a director of D.Y. Davies Associates, has been appointed to the board of the parent company, D.Y. DAVIES. Mr Nick Lockyer has left the main board to concentrate on the Winchester and Bournemouth offices.

■ J.H. MINET & CO has appointed Mr Neil Shaw and Mr Peter Young as deputy managing directors of the international non-marine and energy division.

THORN SECURITY has appointed Mr Warren Rainforth *(pictured)* as finance director. He was group audit controller for parent company Thorn EMI worldwide.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro F15	£9⅞	–⅛	Q28%	2.1	8.7	5.4
303	133	ANZ SA1	133	–2	Q38c	◆	11.4	◆
234	172	Abbey National 10p	229	.....	5.7	4.3	3.3	9.3
*274	128	Allied Irish Ord	140	–4	†Q40%	3.3	6.4	6.3
85	47	Anglo Irish	57xd	.....	Q18.6%	2.3	7.3	7.5
93	61	Ansbacher (H.) 1p	62	.....	2.5	1.3	5.4	17.8
£71¼	£32	Bancaire Cie Fr100	£49¼	–½	MQ12%	–	2.7	–
£22¼	£12	Banco Bilbao Viz	£13¼	–⅛	Q49.1%	2.7	5.8	9.4
£58	£25	Banco de Santander	£25	+⅛	Q24.7%	2.5	3.9	10.2
286	150	Bank Ireland IrE1	153	–5	Q14.7%	2.9	8.6	5.4
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	113	–2	†4.55	3.4	5.4	7.2
101¼	83¼	Do. 9¼pc Irrd Pf	96½	.....	9¼%	–	12.8	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	355	–5	†h19.57	3.5	7.4	4.9
22	10	Benchmark 20p	12	+1	0.75	–	8.3	–
335	210	Brown Shipley £1	210xd	.....	‡12.0	2.2	‡	6.8
*435	285	Cater Allen £1	386	–1	F24.5	–	8.5	–
179	29	Chancery	45	+1	‡9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£16¼	–½	Q18%	–	3.8	–
£13¼	620	Dai Ichi KBk Y50	766	–28	Q17%	6.2	0.4	36.2
*£313	£289	Deutsche Bk DM50	£289	–7¼	Q28%	–	2.2	–
£20¾	£14½	Espirito Santo	£16½	.....	Q75c	5.1	2.3	8.5
253	166	First Nat. Fin. 10p	183	–2	13.0	2.1	9.5	6.3
121	82	FNFC 6.3pc Cv. Pf	95	+2	6.3%	–	8.8	–
£13¼	633	Fuji Bank Y50	951	+52	†Q17%	6.9	0.4	40.4
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

45	19	Navan Resources	19	..	
57	20	Ovoca Gold IR 2p	20	-1	
72	15	Oxford Virology 5p	15		
83	61	Poddington 5p	77		
118	65	Ramsden (Harry)	80	-5	4.5 ● 7.8

For Rentaminster see INDUSTRIALS

38	5	Sempernova	6		1.3
36	13	Sleepy Kids 5p	14	+1	
$3\frac{1}{4}$	$1\frac{1}{4}$	Systems Connections	$1\frac{1}{4}$		
94	46	Tomorrows Leisure 20p	51		1.0 4.4 2.6 9.3
55	27	UPL Group 10p	32		
89	8	Video Magic Leis. 1p	8		
$6\frac{1}{4}$	$1\frac{1}{4}$	Vista Ents 5p	$1\frac{1}{4}$		
$5\frac{1}{2}$	$1\frac{1}{4}$	Wilton Group 1p	$1\frac{1}{2}$		5.1

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1989. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	700	...
Finlay Pkg 5p γ	38	...
Holt (Jos) 25p γ	1305	...

IRISH

Cap 8½% Ln 1991	£98¼	...
9pc Cap Ln. 1996	£94	...
Fin. 13% 97/02	£111¼	...
Arnotts	160	...
Carrol (P.J.)	154	...
Heiton Hldgs. γ	40	-3
IRG	135	...
United Drug	138	-2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	48
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	42
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Ariva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res.	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	107.21	107.92	114.8	+0.61	0.76
Do Accum	6	117.19	117.97	125.49	+0.67	0.76
TSB Brit Growth	6	63.79	64.72	68.85	-0.13	3.97
Do Accum	6	70.53	71.56	76.12	-0.48	3.97
TSB European	6	65.45	65.86	70.06	-0.86	1.25
Do Accum	6	67.83	68.26	72.61	-0.89	1.25
TSB Extra Income	6	139.73	142.98	152.1	-0.4	6.16
Do Accum	6	197.82	202.22	215.12	-0.57	6.16
TSB Smaller Cos	6	37.93	39.65	42.18	-0.04	3.28
Do Accum	6	39.77	41.57	44.22	-0.05	3.28
TSB General	6	196.01	196.01	209.52	-1.5	4.25
Do Accum	6	359.35	359.35	382.28	-2.74	4.25
TSB Premier Income	5	41.49	41.49	43.21	-0.09	9.63
Do Accum	5	72.95	72.95	75.98	-0.16	9.63
TSB Income	6	258.39	263.66	280.48	-1.03	5.83
Do Accum	6	480.37	490.17	521.45	-1.92	5.83
TSB Pacific	6	191.15	191.15	203.35	-4.02	0.39
Do Accum	6	198.89	198.89	211.58	-4.19	0.39
TSB International	6	326.54	326.54	347.38	-1.88	1.46
Do Accum	6	418.85	418.85	445.58	-2.42	1.46
TSB Nat Resources	6	53.77	55.09	58.6	+0.8	1.36
Do Accum	6	58.33	59.76	63.57	+0.9	1.36
TSB Sictd Opps	6	68.46	70.14	74.61	-0.56	3.94
Do Accum	6	81.71	83.71	89.05	-0.66	3.94
Environmental Inv	6	40.19	40.88	43.48	-0.21	2.54
Do Accum	6	41.11	41.82	44.48	-0.21	2.54
TSB Selector	6	41.67	42.4	45.1	-0.23	4.64
Do Accum	6	42.94	43.7	46.48	-0.23	4.64
TSB High Income	6	43.88	44.49	47.32	-0.05	6.66
Do Accum	6	45.17	45.8	48.72	-0.05	6.66
TSB Intl Income	6	47.27	47.47	50.49	-0.15	7.03
Do Accum	6	47.27	47.47	50.49	-0.15	7.03
TSB Selector Income	6	44.75	45.28	48.16	-0.11	6.85
Do Accum	6	44.75	45.28	48.16	-0.11	6.85

Target Trust Mngrs Ltd (2600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin. 0296 394000 Dealing: 0296 312156

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	61.46	61.46	65.39	+0.51	1.17
Australia	5	5.167	5.167	5.531	[illegible]	[illegible]
Equity	5	140.7	140.7	151.1	[illegible]	4.82
Euro Spec Sits	5	95.79	95.79	102.8	-1.0	5.09
Financial	5	25.02	25.13	27.08	-1.2	0.67
Global Opps Inc	5	57.19	57.19	61.56	-0.17	5.91

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	98.6	98.6	---	10.95
(Accum Units)	522.8	522.8	---	10.95
NAACIF Dec 18	-	40.2	---	9.90

MIM Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	974.0	1051.0	---	-
Mngd Pens (Acc)	57.6	61.4	---	-

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Dec 11	111.9	119.9	---	3.20
UK Small Co † Dec 11	429.9	472.9	---	2.25
Fixed Interest † Dec 11	100.9	106.1	---	8.33
US Small Co Dec 11	104.7	112.0	---	0.00
Managed Dec 11	96.05	102.0	---	2.57
Intl Bond Dec 11	106.8	112.6	---	8.09
Japan Dec 11	63.04	67.20	---	1.01
European Dec 11	78.87	84.40	---	1.75
Nth American Dec 11	79.98	85.72	---	1.62

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Dec 19	39.2	40.7	---	2.60
Euro Expt Dec 19	47.0	49.3	---	2.91
Fixed Int Ex Dec 19	44.1	45.2	---	11.35
Japan Expt Dec 19	40.0	42.0	---	0.76
Managed Ex Dec 13	38.5	40.0	---	5.06
SE Asia Expt Dec 19	56.0	57.7	---	6.90
Sm Cos Expt Dec 19	28.0	29.4	---	2.90
UK Eqty Ex Dec 19	36.0	37.8	---	5.19

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Dec 5	592.63	634.6	---	5.78
Do Accum	659.2	705.8	---	5.78
Int Expt Dec 19	148.9	151.1	-0.52	2.99
UK Index Dec 10	999.0	1019	---	6.07
Do Accum	1056	1076	---	6.07
Convertible Dec 14	81.15	83.87	---	9.14
Worldw UK Index Dec 17	658.3	667.0	---	3.05
Do Accum	658.3	667.0	---	3.05
Japan Index Dec 17	529.4	537.1	---	0.56
Do Accum	530.4	538.0	---	0.56
USA Index Dec 17	764.4	771.0	---	3.47

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6–7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	90.5	95.3	-0.5	-
Pension Managed Fd	86.4	90.9	-0.5	-
Life Deposit Fd	103.0	108.4	---	-
Pension Deposit Fd	106.3	111.9	.....	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	99.3	104.6	+0.4	-
Managed Growth	120.9	127.3	-0.1	-
Managed Opportunity	116.3	122.5	-0.3	-
NFMC Target Financial	88.6	93.3	+1.0	-
Pension Funds				
Managed Cautionary	104.9	110.5	+0.4	-
Managed Growth	124.6	131.2	-0.7	-
Managed Opportunity	117.6	123.8	+0.2	-
NFMC Target Mngd Pen	1342.1	1412.8	-4.6	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	141.9	149.4	....	-
UK Equity	147.5	155.3	....	-
Overseas Equity	113.3	119.3	....	-
Fixed Interest	134.7	141.8	....	-
Property	127.4	134.2	....	-
Index Linked	143.4	151.0	....	-
Deposit	147.7	155.5	....	-
With Profits (B)	124.0	130.6	....	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	308.6	324.9	-1.1	-
UK Equity	385.7	406.0	-2.6	-
Overseas Eq	292.4	307.8	-0.2	-
Americas	220.4	232.1	+1.7	-
Far East	300.6	316.5	-1.6	-
Property	193.3	203.5	+0.1	-
Fixed Int	241.5	254.3	-0.3	-
Indexed Gilt	149.2	157.1	-0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
Property Equity & Life Ass. Co				
Baxter Ave, Southend SS2 6QH 0702 333433				
Int Man Pension Fd	149.1	156.9	.....	-
Int Man Crncy Bd Fd		144.8		-
Int Man Crncy Bd Fd(a)		131.3	.....	-
Flexible Prop Bd Fd		201.3		-
Flexible Money Bd Fd		366.4		-
Special Man Inc Fd		133.5		-
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	136.5	144.5	-0.5	-
Accum Equity	192.5	203.0	-1.0	-
Accum Managed	198.5	209.5	----	-
Accum Five Star	150.5	159.0		-
Accum World	107.5	113.5		-
Accum Lifetime	100.9	100.9	-0.4	-
Pens Acc Equity	201.0	212.0	-1.0	-
Pens Acc Managed	235.5	248.5	-0.5	-
Pens Acc Intl	170.0	179.5	-0.5	-
Pens Acc Deposit	188.0	198.5		-
Pens Acc Five Star	159.0	167.5		-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	196.9	207.8	-0.8	-
UK Fixed Int Acc	164.9	174.0	+0.1	-
Intl Equities Acc	151.0	159.3	+0.3	-
UK Managed Acc	156.1	164.6	-0.3	-
Property Acc	232.1	244.9		-
Money Acc	123.9	130.7	+0.1	-
Special Market Acc	117.1	123.6	+0.2	-
Japan Equity Acc	90.5	95.5	-1.7	-
North American Acc	84.2	88.9	+0.4	-
Pacific Acc	74.8	79.0	-0.1	-
Technology Acc	96.6	101.9	+0.2	-
Nat Resources Acc	50.1	52.9	....	-
European Acc	90.8	95.8	-1.1	-
Residential Prop Acc	97.3	102.7		-
Swiss Equities Acc	31.5	33.3	-0.7	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Soviet worries boost dollar

THE RESIGNATION of Mr Eduard Shevardnadze as Soviet Foreign Minister sent the US dollar to its highest level against the D-Mark for a fortnight as investors favoured its qualities as a safe haven currency.

The mark suffered most from Mr Shevardnadze's decision to quit, although this reflected the fact that a number of investors had recently taken large long positions. Sterling fell back against the dollar, while the French franc was able to make up some of the ground it lost earlier in the week to the mark.

The dollar was trading at DM1.4750 before the news from the Soviet Union and immediately jumped to DM1.4900. The US currency continued to push ahead during the rest of European trading and gained more ground in New York.

Analysts said Mr Shevardnadze's resignation would worsen the political crisis in the Soviet Union and increased the likelihood of a military crackdown against the republics. This would continue to help the dollar, particularly with the lack of a resolution to the Gulf conflict.

The immediate impact of the news has been to discourage any large-scale liquidation of dollar positions in the wake of the reduction in US interest rates. The statement by Mr Nicholas Brady, the Treasury secretary, that there could be further cuts in US rates, had no effect on the dollar.

The dollar closed at DM1.5005 from 1.4785 and by midday in New York had risen to DM1.5080. It also rose to SFr1.2890 from SFr1.2695; to Y134.85 from Y134.10; and to FFr5.1050 from FFr5.0400. The dollar's index, calculated by the Bank of England, rose to 61.3, up 0.4.

The political uncertainty in the Soviet Union was an opportunity for investors to liquidate some of their long mark positions. Within the ERM, the mark slipped from second to third strongest currency. The mark was also weak against the yen after its recent gains, closing at Y89.55 from Y90.65.

Sterling fell sharply against the strengthening dollar but against other currencies it was mixed. The view in the foreign exchange markets was that any immediate cut in UK interest rates was unlikely as long as sterling was weak. However, the bulls were discouraged by the belief that any rally could trigger a cut in base rates.

Sterling closed lower at $1.9075 from $1.9315; and at Y257.25 from Y259.00; but rose to DM2.8625 from DM2.8550; to FFr9.7375 from FFr9.7350; and to SFr2.4585 from SFr2.4525. Sterling's index closed 0.1 point lower at 93.0.

The weakness of the mark took the pressure off other ERM currencies. Against the French franc, the mark closed at FFr3.3969 from FFr3.4100. Earlier in the day Mr Pierre Bérégovoy, the French finance minister, said he remained calm about the franc's weakness and saw no need for a change in ERM parities.

£ IN NEW YORK

Dec.20	Latest	Previous Close
£ Spot	1.9070-1.9080	1.9300-1.9310
1 month	0.96-0.94pm	1.02-1.00pm
3 months	2.74-2.70pm	2.83-2.80pm
12 months	8.60-8.50pm	9.05-8.95pm

Forward premiums and discounts apply to the US dollar

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9030 - 1.9325	1.9070 - 1.9080	0.98-0.96cpm	6.10	2.72-2.69pm	5.67
Ireland†	1.7730 - 1.7970	1.7735 - 1.7745	0.48-0.43cpm	3.08	1.65-1.55pm	3.61
Canada	1.1580 - 1.1605	1.1585 - 1.1595	0.33-0.36cdis	-3.57	1.06-1.11dis	-3.74
Netherlands	1.6645 - 1.6925	1.6915 - 1.6925	0.19-0.22cdis	-1.45	0.72-0.76dis	-1.75
Belgium	30.50 - 31.05	30.95 - 31.05	3-7cdis	-1.94	14-19dis	-2.13
Denmark	5.7135 - 5.7925	5.7875 - 5.7925	1.00-1.20oredis	-2.28	3.25-3.85dis	-2.45
Germany	1.4745 - 1.5015	1.5000 - 1.5010	0.16-0.18pfdis	-1.36	0.57-0.60dis	-1.56
Portugal	132.40 - 133.05	132.95 - 133.05	35-45cdis	-3.61	170-200dis	-5.56
Spain	94.60 - 95.70	95.45 - 95.55	50-58cdis	-6.79	115-168dis	-5.93
Italy	1116.00 - 1133.25	1132.75 - 1133.25	4.50-5.50liredis	-5.30	13.80-15.00dis	-5.08
Norway	5.8005 - 5.8825	5.8775 - 5.8825	1.40-1.75oredis	-3.21	5.20-5.70dis	-3.71
France	5.0350 - 5.1075	5.1025 - 5.1075	0.89-0.94cdis	-2.15	3.38-3.48dis	-2.69
Sweden	5.5855 - 5.6440	5.6350 - 5.6400	2.75-3.05oredis	-6.17	8.40-9.20dis	-6.24
Japan	133.70 - 134.90	134.80 - 134.90	par-0.02ydis	-0.09	0.06-0.11dis	-0.25
Austria	10.3850 - 10.5225	10.5100 - 10.5150	1.00-1.60grdis	-1.48	3.50-5.10dis	-1.64
Switzerland	1.2630 - 1.2895	1.2885 - 1.2895	0.12-0.16cdis	-1.30	0.39-0.44dis	-1.29
Ecu	1.3630 - 1.3850	1.3645 - 1.3655	0.27-0.25cpm	2.29	0.94-0.91pm	2.71

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY MOVEMENTS

EMS EUROPEAN CURRENCY UNIT RATES

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Dec.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.908	2.863	257.3	9.738	2.459	3.228	2161	2.212	59.15
$	0.524	1	1.501	134.9	5.104	1.289	1.692	1133	1.159	31.00
DM	0.349	0.666	1	89.87	3.401	0.859	1.127	754.8	0.773	20.66
YEN	3.887	7.415	11.13	1000	37.85	9.557	12.55	8399	8.597	229.9
F Fr.	1.027	1.959	2.940	264.2	10.	2.525	3.315	2219	2.272	60.74
S Fr.	0.407	0.776	1.164	104.6	3.960	1	1.313	878.8	0.900	24.05
H Fl.	0.310	0.591	0.887	79.71	3.017	0.762	1	669.5	0.685	18.32
Lira	0.463	0.883	1.325	119.1	4.506	1.138	1.494	1000.	1.024	27.37
C $	0.452	0.863	1.294	116.3	4.402	1.112	1.459	976.9	1	26.74
B Fr.	1.691	3.226	4.840	435.0	16.46	4.157	5.457	3653	3.740	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS · LIFFE US TREASURY BOND FUTURES OPTIONS · LIFFE BUND FUTURES OPTIONS · LIFFE EURODMARK OPTIONS · LIFFE EURODOLLAR OPTIONS · LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE) · CHICAGO

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9075	1.8978	1.8805	1.8584	1.8223

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.8906	1.8944	1.8864	1.9042
Jun	1.8660	1.8700	1.8640	1.8808
Sep	-	-	1.8510	1.8616

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
November	1580.0	1548.0	-43.0	1580.0	1537.0	6,601
December	1586.0	1557.5	-43.0	1586.0	1547.0	3,167
January	1589.0	1568.0	-40.0	1589.0	1568.0	70
March	-	-	-	-	-	210

Estimated volume 11,423 Total Open Interest 10,048

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unitank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	● Hambros Bank	14	United Mizrahi Bank	14
Bank of Scotland	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Barclays Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Benchmark Bank	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	Hongkong & Shangh	14	Yorkshire Bank	14
● Brown Shipley	14	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk.	14		
City Merchants Bank	14	Midland Bank	14		
Clydesdale Bank	14	Mount Banking	14		
Comm.Bk.of London Plc	14	Nat Bk. of Kuwait	15		
Co-operative Bank	*14				

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MONEY MARKETS

London rates steady

UK INTEREST rates were steady as sterling stabilised after the losses of the previous session. The key three-months interbank rate was unchanged at 14-13$\frac{15}{16}$ per cent.

Activity was largely confined to position squaring and technical year-end dealing. In the futures market, March short sterling fell 7 points to 87.62, indicating that futures dealers expect that UK interest rates will fall 1½ points to 12½ per cent by the end of the first quarter of next year.

The Bank of England provided sufficient liquidity to meet the market's day-to-day credit needs. It bought a total of £587m bills compared with a forecast shortage of £600m.

During the morning the Bank bought £194m of bills, including £7m in band 1 at 13⅞ per cent; and in band 2 £10m Treasury bills and £177m bank bills at 13¾. After lunch, £20m of band 1 Treasury bills and £273m of band 3 bank bills were purchased at unchanged rates. Finally late assistance of around £150m was provided.

The main factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £816m. A rise in the note circulation absorbed a further £255m, while bankers' balances below target accounted for £55m. This was partly offset by Exchequer transactions, which added £390m.

In Frankfurt call money rates fell sharply as banks started reducing their liquidity levels. Banks quoted call money at 7.90-8.10 per cent from 8.30. A net injection of funds into the banking system following the Bundesbank's securities repurchase tender on Wednesday had also helped push short-term interest rates lower. The bank allocated repo funds worth DM23.1bn against expiring pacts of DM20.9bn.

Dealers said banks had already built up comfortable liquidity reserves earlier in the month. These were reflected in high holdings of liquidity with the central bank.

Banks held DM77.9bn worth of funds with the Bundesbank on Tuesday, up on the DM73.1bn held a day earlier. Holdings averaged DM73.9bn marks over the first 18 days of the month.

In New York the Federal Reserve added cash to the banking system through $2.5bn of customer repurchase agreements. An addition of liquidity had been expected, as federal funds had firmed $\frac{1}{16}$ point to 7$\frac{1}{16}$ per cent.

UK clearing bank base lending rate 14 per cent from October 8, 1990

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.20) 3 months US dollars		6 months US Dollars	
bid 7$\frac{11}{16}$	offer 7$\frac{13}{16}$	bid 7⅝	offer 7¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	5.76	Three year	7.37
Broker loan rate	9	Two month	6.51	Four year	7.56
Fed.funds	7¼	Three month	6.71	Five year	7.65
Fed.funds at intervention	-	Six month	6.87	Seven year	7.94
		One year	6.88	10-year	8.02
		Two year	7.21	30-year	8.20

Dec.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.05	9.05-9.20	9.10-9.25	9.10-9.25	9.15-9.30	8.50
Paris	9⅝-9¾	10⅛-10¼	-	10$\frac{1}{16}$-10$\frac{3}{16}$	-	9.25
Zurich	7⅞-8⅛	9¼-9⅜	-	8⅞-9⅛	-	-
Amsterdam	9.25-9.38	9.46-9.54	-	9.44-9.52	-	-
Tokyo	8¼-8⅜	8⅞-8$\frac{15}{16}$	-	8$\frac{1}{16}$-8⅛	-	-
Milan	12¼-12¾	14⅞-15	-	13⅞-14⅛	-	-
Brussels	10.75	10⅛-10¼	-	10⅛-10⅜	-	-
Dublin	10½-10¾	10$\frac{15}{16}$-11$\frac{1}{16}$	11¼-11½	11⅜-11½	11⅜-11½	-

LONDON MONEY RATES

Dec 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14⅝	14⅛	14	13⅝	12$\frac{15}{16}$
Interbank Bid	13¾	14½	14⅛	13$\frac{15}{16}$	13½	12$\frac{13}{16}$
Sterling CDs	-	-	14$\frac{1}{16}$	13$\frac{15}{16}$	13⅜	12$\frac{13}{16}$
Local Authority Deps.	14¼	14¼	14¼	13$\frac{15}{16}$	13¼	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14½	13¾	13	-	-
Company Deposits	-	-	14⅜	14	13⅝	12$\frac{13}{16}$
Finance House Deposits	-	-	14⅜	14$\frac{1}{16}$	13½	12⅞
Treasury Bills (Buy)	-	-	13¾	13$\frac{11}{16}$	-	-
Bank Bills (Buy)	-	-	13$\frac{13}{16}$	13⅝	12⅞	-
Fine Trade Bills (Buy)	-	-	14$\frac{11}{16}$	14	13⅜	-
Dollar CDs	-	-	8.30	7.85	7.60	7.48
SDR Linked Dep. Offer	-	-	9¼	9⅛	9	9
SDR Linked Dep. Bid	-	-	9¼	8$\frac{15}{16}$	8⅞	8⅞
ECU Linked Dep. Offer	-	-	10½	10½	10½	10½
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 13½ per cent; three months 13⅜ per cent; six months 12⅞ per cent; Bank Bills (sell): one-month 13$\frac{11}{16}$ per cent; three months 13⅜ per cent. Treasury Bills: Average tender rate of discount 13.0040 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 1, 1990. Agreed rates for period Dec 26, 1990 to Jan 25, 1991, Scheme I: 14.59 p.c., Schemes II & III: 14.87 p.c. Reference rate for period Nov 30, 1990 to Dec 30, 1990, Scheme IV&V: 13.698 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from December 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10¼ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 11½ per cent; nine-twelve months 11¼ per cent; Under £100,000 10¼ per cent from Oct 8,1989; Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

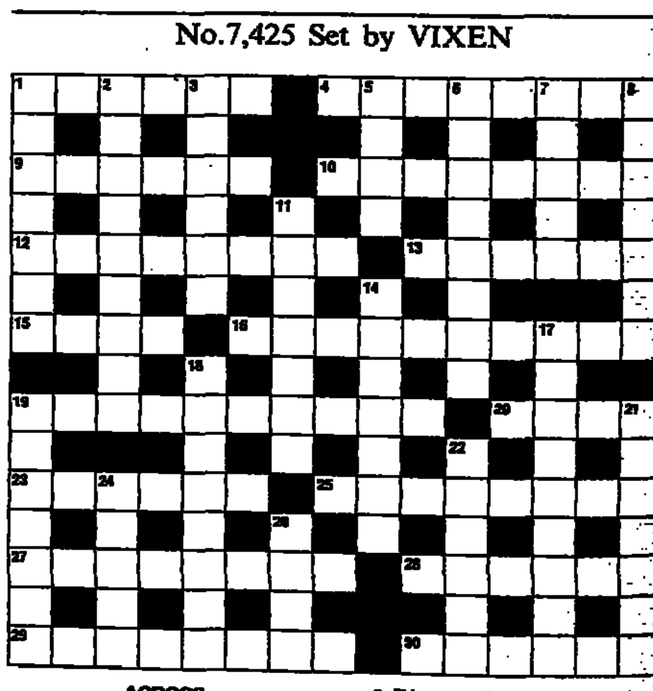
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,425 Set by VIXEN



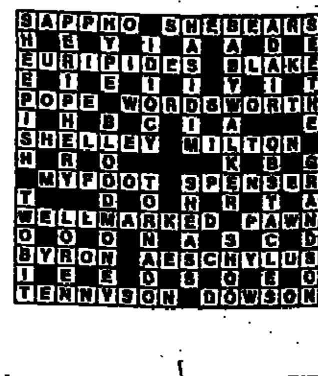
ACROSS

1 Foray the fashionable way (6)
4 The writer appears concerned with drink (8)
9 Name a Greek character with a certain effrontery (6)
10 Ran when so ordered (8)
12 A European schoolboy must accept direction (8)
13 The cryptic clue is "A quick wash" (6)
15 Class among the Liberals or the Social Democrats (4)
16 Tradesmen rent it so as to be flexible (10)
19 Walker is anything but imaginative (10)
20 A patroness of arts study (4)
23 Large flag representing deity in ancient Egypt (6)
25 Left always before time, which is an advantage (8)
27 Remaining true, prepared to make a proposal (8)
28 Workers hold half-a-dozen such companies (6)
29 The finish in English fine china is improving (8)
30 A Quaker getting no backing colours (6)

DOWN

1 One thousand newspapers produce quite an effect! (7)
2 Showed off, though sore and tired out (9)
3 Look inside when outside a cathedral (6)
5 It's wrong to be uppity (4)
6 Disregard on account of appearance (8)
7 The music man's all in (5)
8 Military personnel get into line for correction (7)
11 The grassland that's beyond the river (7)
14 A ship with a well-qualified person back in control (7)
17 May be cautioned for giving guidance (9)
18 A fool is being put over Edward – promoted (8)
19 Cause some irritation, but turn out about all right (7)
21 Men rose in revolt, he wrote (7)
22 Cut the egghead will find very hard (6)
24 A little debonair, energetic girl (5)
26 Royalty in this country (4)

Solution to Puzzle No.7,424



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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec. 19	Dec. 18	Dec. 17	Dec. 14	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2626.73	2626.73	2593.32	2593.81	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.62	91.54	91.12	91.19	93.04 (3/1)	88.44 (24/9)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	916.98	907.05	895.24	903.11	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.58	211.08	208.56	208.56	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2648.51 (2639.36) Low 2602.48 (2583.17)

STANDARD AND POOR'S	Dec. 19	Dec. 18	Dec. 17	Dec. 14	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.20	330.05	326.02	326.82	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	385.99	386.06	381.96	382.53	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.79	23.55	22.87	23.16	31.87 (3/1)	18.80 (29/10)	35.24 (9/20/89)	8.64 (1/10/74)
NYSE Composite	180.35	180.19	178.22	178.71	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	306.65	305.03	303.99	305.74	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	371.22	370.15	365.72	368.83	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 14	Dec. 7	Nov 30	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.98	4.01	3.89

	Dec. 12	Dec. 6	Nov.28	year ago (approx.)
S & P Industrial div. yield	3.31	3.31	3.42	2.92
S & P Indl. P/E ratio	15.89	15.89	15.37	14.82

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Citicorp	3,177,700	13¼	- ⅛
Mnf. Hanover	2,528,400	22½	+ 1⅛
BankAmerica	2,509,000	26¾	+ 1¼
IBM	2,463,900	112¼	- ¼
Philip Morris	1,845,600	51	- ⅝
Am. Express	1,834,600	22¼	+ ½
Fannie Mae	1,735,600	35	- ⅛
Battle Mtn.	1,714,300	6¼	+ ⅝
Bristol Myers	1,478,600	65⅞	- ⅝
AT & T	1,458,400	31¼	- ⅛

TRADING ACTIVITY

† Volume Millions	Dec. 19	Dec. 18	Dec. 17
New York	180.380	176.460	118.560
Amex	14.791	11.071	10.196
NASDAQ	146.211	131.976	111.866
Issues Traded	2,036	2,025	2,024
Rises	844	972	492
Falls	688	585	1,016
Unchanged	504	468	516
New Highs	28	25	5
New Lows	37	52	62

CANADA

TORONTO	Dec. 19	Dec. 18	Dec. 17	Dec. 14	1990 HIGH	1990 LOW
Metals & Minerals	2784.22	2756.20	2758.70	2783.70	3453.05 (4/1)	2486.60 (8/11)
Composite	3253.34	3236.89	3232.97	3244.22	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1737.51	1729.27	1723.78	1729.66	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday December 15: Taiwan Weighted Price: 4319.47 Korea Comp Ex. 705.49

& Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 20 December 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	18.2m	444	-1
S'tomo Chem	8.4m	470	-23
Hitachi	6.1m	1,120	-30
M'bishi Heavy	5.7m	700	-15
A'kaga Bank	5.0m	890	-20
S'tomo Metal	4.9m	465	-4
M'bishi Estate	4.8m	1,460	+30
Itoman	4.6m	445	-50
K'saki Steel	4.4m	422	+1
Shiseido	4.3m	2,080	-20

COMMODITIES AND AGRICULTURE

Load of stinking fish fails to persuade EC to agree

By David Gardner in Brussels

THE European Commission and EC fisheries ministers were last night mired in their efforts to set catch limits for next year to preserve fishing stocks and fishing jobs, apparently unstimulated by a truck-load of high-smelling herring deposited on the doorstep of the European Council here by a squadron of the Breton fleet.

The Fisheries Council broke into all-night bilateral negotiations, with virtually all ministers at odds with Mr Manuel Marin, the Spanish EC Fisheries Commissioner, for differing reasons.

Mr Marin has put forward a package of reduced quotas, or Total Allowable Catches (TACs), for fish stocks such as cod and haddock, along with a series of conservation measures that ministers were unable to endorse at last month's meeting.

Acting on scientific evidence from the independent International Council for the Exploration of the Sea in Copenhagen, which concluded that there is over-fishing of more than 90 per cent of the main stocks in the North Atlantic, the Commissioner's most contentious proposals are:

- Reducing the EC cod quota in the North Sea and off the west coast of Scotland from 98,270 tonnes last year to 85,700 this year and the haddock quota from 41,700 to 40,500. While these cuts are about half as severe as the ICES wanted, they follow huge fishing reductions, threatening in particular the income of Scots fishermen.
- Fishing boats in those areas of the North Sea with a concentration of young cod should remain in port for 10 consecutive days each month.
- Net mesh sizes should be increased from the present norm of 90mm or less, to 120mm and be square instead of diamond-shaped mesh to let smaller fish escape.

Mr Marin has resorted to high-pressure tactics to get his package through. Ministers confirm that he has told them that if they are unable to agree on a deal involving more than cosmetic conservation rules, he will in effect put the Common Fisheries Policy (CFP) into abeyance and let member states incur the political opprobrium for whatever measures they choose to adopt.

In the arcane procedures of the EC, this would involve issuing merely a "recommendation", rather than a binding "regulation". The Commission has overall competence over EC fisheries, with the CFP treating the Community as a single coastal state.

This would be an odd tactic at a time when the Commission is perceived to be grasping more power. Yet the bureaucracy at Berlaymont is a convenient whipping-boy for fishing members forced to adopt unpopular policies. Without the Commission, fisheries ministers would either have to devise restrictions themselves, or cave into pressure from fishermen now and face even louder complaints when fish stocks run out, Mr Marin is understood to think.

One minister last night dismissed the tactic as operatics. "Marin confuses a fisheries council with Tosca", he said. Yet he did concede that there was no appetite for agreement.

Mr David Curry, the UK Fisheries Minister who is particularly exposed at this year's quota-fixing council, said he was willing to negotiate a compromise through a watered-down package. "If fishermen want to fish themselves out of a job, I can't stop them and I can't put an inspector in every boat", he commented.

Total signs Soviet oil accord

By William Dawkins in Paris

TOTAL-CFP, the French state-controlled oil group, has signed an exploration, development and production accord with the Soviet Union for an oil and gas field at Timan Pechora, north-west of the Urals.

This is the second French deal of this type since Elf-Aquitaine, Total-CFP's larger state-controlled rival, last May became the first western oil company to sign an oil production and exploration agreement with the Soviet Union, in an area north of the Caspian Sea.

Since then, a series of western oil groups have signed joint ventures with the Soviet Union, which is anxious to use their expertise to extract oil and gas from its untapped fields and use modern technology in an inefficient industry.

Total-CFP's Soviet partner is the *Ukhtaneftegazgeoligia*, a unit of the Soviet Ministry of Geology. The partners expect to start production of a little more than 1m tonnes of oil annually from three wells by the end of 1991, according to Mr Pierre Vaillaud, group managing director. The French company has already put out tenders for pipelines to carry crude to the main trans-Siberian link.

Under the agreement, Total-CFP will also explore for new deposits in a 5,000km square area in Timan Pechora and develop non-producing wells already identified by its Soviet partner. This follows the signing earlier this month of a separate deal under which Total will sell technology to help raise output at Ramashinko oilfield, in the south Urals.

Total-CFP also announced yesterday that it is to more than double gas production in Indonesia by 1995 from the present annual rate of 4bn cubic metres to 10m cubic metres. This will allow its local partner, Pertamina, to supply the growing Japanese market.

The group also disclosed that it is to build a gas liquefaction plant with its three local partners in Thailand and double its annual 1m cubic metre gas output in Argentina by 1993.

ENI signs gas import deal with Algeria

By Haig Simonian in Milan

ENI, the Italian state-owned energy and chemicals group, has agreed with the Algerian government to increase imports of natural gas by nearly 60 per cent to 530bn cubic metres over a 25-year period. However, a price for the supplies has not been disclosed. Both sides also plan a series of infrastructural investments linked to the deal worth about 8,000bn lira (£71m).

The agreement, signed by Snam, Eni's gas subsidiary, and Sonatrach, the Algerian gas concern, covers imports by Italy of 7bn cubic metres of extra methane gas from 1994.

It also follows a deal in 1977, when Algeria agreed to supply 300bn cubic metres of gas for 25 years, and will take Snam's total gas imports from Algeria to around 19bn cubic metres a year from 1994 to 2020.

The latest increase will require substantial new investment, with a doubling of the existing pipeline bringing Algerian gas to Italy likely. However, the bulk of the forecast expenditure will be in Italy, where the natural gas grid is being steadily expanded.

Extra spending should also provide capacity for the import of 4bn-5bn cu metres of gas by the state electricity group.

Peru's insects lend colour to Christmas fare

Sally Bowen looks at an exotic butterfly husbandry to produce cochineal in the Andes

CHANCES are, the insect known as "the sex-crazed Peruvian butterfly" is partially responsible for the blood-red holly berries decorating your slice of traditional, richly-iced Christmas cake.

In its sleepless 72-hour life, the butterfly flits around fertilising as many females as possible. It finds its mates clinging happily to the sides of prickly pear cactus or *tuna*. The male dies but the females spawn thousands more juice-sucking insects.

When the plant is covered with female cochineal bloated with carminic acid, the larger ones are carefully scraped off and dried. The result is cochineal.

Dried cochineal (looking reassuringly like pinkish-grey seeds rather than squashed beetles) is the raw material used to make the natural red carminic acid colourant. This is used in the manufacture of cosmetics, drinks (for example Campari), foods and textiles. The coveted large cochineal insects contain 18-20 per cent carminic acid, while young insects have only half that amount.

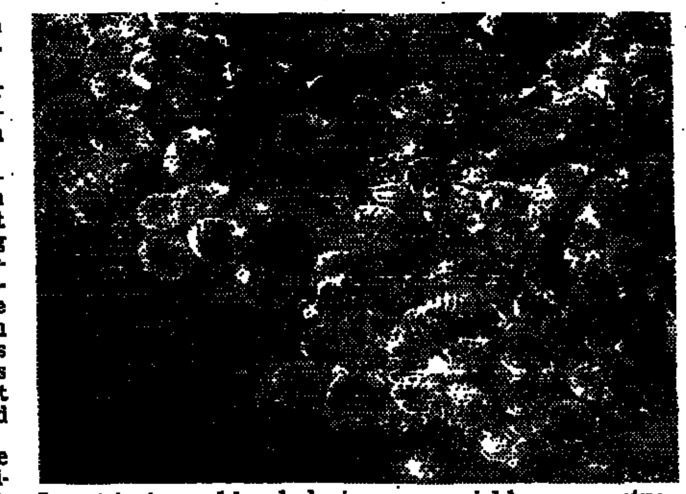
Peru is the world's principal producer of cochineal and carmine, supplying over 85 per cent of the world market. Peru exports about 220 tons of cochineal and 48 tons of carmine, earning the country $14m in an average year. The Canary Islands and Mexico – the traditional sources of carmine in the eighteenth and nineteenth centuries – produce the balance.

The total world market for colourants, natural and synthetic, is estimated to be worth about $200m a year.

Peru has five carmine producers and there has been renewed interest over recent months with US buyers coming to Peru to promote more carminic acid plants. Locally-produced carmine would be cheaper than that made in Japan and Europe, but there is some nervousness. The process of finding the exactly right shade of red is considered tricky technically.

The colour depends on the precise local variety of cochineal insect, according to Salomon Diaz, a long-time cochineal exporter and head of the agricultural committee at Peru's Exporters' Association. Insects from the southern region of Arequipa and the mountainous Ayacucho are the most prized, although the species and their areas are as yet unmapped.

About a third of Peru's exports go to Japan, largely bought by the Sumitomo trading company. France, Germany and Britain are other important markets and Mr Diaz is hopeful that the recent EEC decision to eliminate tariffs on a range of Andean products will boost sales. The Peruvian industry is also optimistic that Holland's October ban on synthetic colourants for Dutch cheese will herald a long-expected move back to natural products such as bixine, annatto and carmine.



Insect taste: cochineal clusters on a prickly pear cactus

However, nature did not reckon the price. Natural colourants like cochineal are expensive, even at the present price of about $22 a kilo (compared to twice that two years ago). Harvesting cochineal is a laborious job, which involves picking the largest bloated females from the higher leaves of the prickly pear.

Andean peasants use a stick with a cloth wrapped around the end to collect them. Working a long, hard day they can harvest fresh insects weighing up to five kilos, although they will weigh only a third of that once they are sun-dried.

Well over half of Peru's cochineal still comes from Ayacucho, birthplace of Sendero Luminoso and traditionally one of the nation's poorest regions. For the past 10 years, Ayacucho has been at the heart of the conflict between guerrillas and the forces of order.

A recent initiative in Ayacucho by the Uruguay-based Canadian-funded International Development Research Centre is an attempt to rationalise prickly-pear cultivation and post-harvest cochineal management.

Mr Diaz says there is plenty of scope for raising productivity in traditional growing regions like Ayacucho, for example by instituting simple technical improvements like pruning. "Infestation", the word used to describe the process of transferring the insects manually to their optimum habitat, could also be improved.

"The $17 a kilo that the producer gets is profitable for growers in the *sierra* but not on the coast", he says. "I don't support expansion of the total acreage: we should cater for the projected 10-12 per cent annual demand increase by improved technology."

Yet prickly pear farms are springing up in Peru's southern and central coastal desert. Programmed production is making strides and a new prickly pear cactus without the very inconvenient spines is being developed. It is hoped this will make collection less painful and more efficient.

Unlike plants that grow wild, these cacti will be pruned periodically. They are also planted at much greater density: about 8,000 cacti per hectare is normal, but one leading Peruvian producer claims to have up to 20,000 plants per hectare. The prickly pear is normally ready for "infestation" with cochineal two to three years after it has been planted.

Peru could easily double its present annual production as it has already done in the past five years. "But I don't believe there will be a cochineal boom", says Mr Salomon Diaz. "What we should be doing, however, is making our products more widely known".

Rain, winds and taxes lash coffee growers

Tim Coone on the difficulties confronted by El Salvador's principal export industry

STRONG WINDS and heavy rains in El Salvador over the past two months have dashed hopes of a bumper coffee crop this season and disrupted efforts by the government to revitalise what it considers a key area of the economy.

According to Mr Ruben Pineda, president of the El Salvadorean Coffee Council, losses are estimated to be as high as 15-20 per cent of the originally anticipated harvest of 3m bags (of 60 kilos each). Growers stand to lose $50m-$60m in income, he said.

As a consequence, Mr Alfredo Cristiani, El Salvador's President, can now expect increased pressure to eliminate the coffee export duty, which only five years ago generated 40 per cent of the government's revenue. This demand will present him with some uncomfortable choices.

After taking office in June 1989, President Cristiani sharply reduced the duty by an average $6 per 60kg bag. Only $25m was levied from the duty in 1989, down to 5 per cent of the government's total tax revenue. The President also broke up the monopoly of the state-run coffee marketing board, set up under the Christian Democrat administration at the beginning of the 1980s and unified currency exchange rates.

Together, the measures have brought substantially better returns to growers and restored confidence after a decade of recession during which coffee output had slumped by 50 per cent.

In spite of the fall in world prices triggered by the collapse of the International Coffee Agreement (ICA) in July 1989, El Salvador's coffee exports surged forward from 1.5m bags of 60kg in the 1988-89 harvest to 2.7m bags in the past marketing year. Production was expected to approach the record levels of the early 1980s until the recent bad weather.

However, crop losses have provided the ideal pretext growers have been looking for to urge elimination of export duty altogether.

The boom in demand for quality Central American "other milds" since the collapse of the ICA, has cleared the region's overhang of stocks and opened up a vast market in the US, Europe and Asia.

Rich pickings are available for those with bags to sell. "Our problem right now is the shortage of output, not a shortage of markets", Mr Pineda said.

El Salvadorean growers pay the highest export taxes in Central America, according to data compiled by Mr Pineda's council. In 1989, an El Salvador producer paid on average $18.20 per 60kilo sack in export duties. Counterparts in Honduras paid $17.11, in Costa Rica $2.42, in Guatemala $1.29 and nothing at all in Nicaragua.

"This gives us a margin to play with to compete against the others", said Mr Pineda. However, he is cautious about the future. "We are not capital-intensive producers in El Salvador, so until now we have been able to absorb the low prices. The best defence against low prices is higher productivity per hectare but that faces an obstacle", he said.

The setback after the ICA collapse has been compounded by the Gulf crisis. Doubled oil prices translate into doubled costs for transport and agro-chemicals. Higher productivity can be achieved only by more intensive use of fertilisers and pesticides Mr Pineda said. A war in the Gulf will boost input costs still further.

That is why the growers of El Salvador are focusing their political campaigning on the export duty, he said.

President Cristiani is in the middle of a civil war and pressed on all sides by competing budget demands. The trap awaiting him is that if he forgoes the remaining export tax income to satisfy his political supporters, he will have to transfer the tax to other sectors just three months before mid-term elections for the National Assembly.

Mr Jose Carlos Bonilla, vice-president of the central bank, emphasises the key role of the coffee sector in the government's economic plans. "As a short and medium-term goal, reactivation of the coffee sector has been a priority. It quickly provides employment and foreign exchange" he said.

Without the increased output, El Salvador would have slipped a further $100m into the red on its external payments this year.

Last year, coffee growers absorbed 72 per cent of total agricultural credit given by the banks, equivalent to twice that received by any other single sector of the economy.

With government attention already lavished upon them, the coffee growers' plea for a further tax concession may provoke a violent reaction. Until now, the "war taxes" imposed by the left-wing FMLN guerrillas have never affected more than the 10 per cent of the total output grown in the main war zones in the east of the country. However, FMLN rebels are now moving into the main coffee-growing regions around Santa Ana in the west in preparation for a nationwide offensive. Extension of the "war taxes" would be one way to finance the military campaign.

WORLD COMMODITIES PRICES

MARKET REPORT

Tin prices on the LME yesterday sank to their lowest since the contract was introduced in June 1989. High stocks and low demand have contributed to a bearish outlook and further losses are possible, dealers added. "There is nothing bullish on the horizon," one said. The plentiful supplies have contributed to the discount for cash to three-month metal widening to $112.50 a tonne from Monday's $92.50. Nickel prices advanced on concern about possible supply disruptions following a fire at the Doniambo plant in New Caledonia. Silver prices rose sharply in early trading on Comex. Some analysts said the buying was spurred by lower interest rates on the heels of Tuesday's surprise half-point cut in the Federal Reserve's discount rate to 6½ per cent. Others contended the main feature was bargain hunting which began Tuesday afternoon after the market absorbed a wave of selling. They all said the gains reflected the triggering of buy stops in a thin market. London robusta coffee prices closed well down, eroding the January-March premium. A similar performance on Tuesday did little to reduce the January uncovered position of just under 20,000 lots.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$22.45-2.65t	+ 85
Brent Blend (dated)	$28.10-8.20	+ 675
Brent Blend (February)	$26.65-6.75	+ 1.15
W.T.I. (1 pm est)	$27.40-7.45t	+ 1.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$252-256	+ 3.5
Gas Oil	$267-268	+ 4.5
Heavy Fuel Oil	$137-139	-1
Naphtha	$268-270	+ 5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$380.20	+ 3.25
Silver (per troy oz)♣	397.10c	+ 0.60
Platinum (per troy oz)	$416.40	+ 2.65
Palladium (per troy oz)	$88.25	+ 0.05
Aluminium (free market)	$1535	-5
Copper (US Producer)	115¼c	
Lead (US Producer)	50c	
Nickel (free market)	384c	+ 12
Tin (Kuala Lumpur market)	15.06r	-0.10
Tin (New York)	263c	+ 2
Zinc (US Prime Western)	70c	
Cattle (live weight)†	105.79p	-2.47*
Sheep (dead weight)†	137.57p	-6.14*
Pigs (live weight)†	77.24p	+ 1.46*
London daily sugar (raw)	$247.6w	+ 0.20
London daily sugar (white)	$304.0w	-2.50
Tate and Lyle export price	£236.0	
Barley (English feed)	£122.5	
Maize (US No. 3 yellow)	£163.00	-0.50
Wheat (US Dark Northern)	£97	
Rubber (Jan)♥	50.25p	
Rubber (Feb)♥	50.50p	
Rubber (KL RSS No 1 Jan)	239.0m	-0.50
Coconut oil (Philippines)§	$315.0z	-10.0
Palm Oil (Malaysian)§	$320v	-10.0
Copra (Philippines)§	$240.0t	
Soyabeans (US)	£130.0	-1.50
Cotton "A" Index	84.05c	-0.15
Wooltops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. z-Jan. w-Dec/Jan. z-Jan/Feb. v-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	215.60	216.60	216.80 215.20
May	218.00	218.60	219.20 217.20
Aug	221.60	222.20	222.60 221.20
Oct	220.80	222.00	222.00 221.80
May	224.00	226.00	223.00
White	**Close**	**Previous**	**High/Low**
Mar	301.6	302.0	302.0 301.00
May	300.6	301.0	300.0
Oct	287.1		288.5
Mar	283.0		281.0

Turnover: Raw 1054 (729) lots of 50 tonnes. White (126).
Paris- White (FFr per tonne): Mar 1525, Aug 1579, Oct 1478

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Feb	26.55	26.05	26.60 26.15
Mar	25.45	25.10	25.45 25.10
Apr	24.50	23.95	24.45 24.10
IPE Index	25.93	26.19	

Turnover 6140 (7355)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jan	254.75	251.00	255.25 252.00
Feb	243.00	237.50	243.00 239.25
Mar	228.75	224.00	228.75 225.00
Apr	212.50	207.00	214.00 210.00
May	209.75	202.00	209.75 205.00
Jun	204.00	201.00	204.00 200.00
Jul	202.00	197.00	202.00 201.00

Turnover 5072 (6456) lots of 100 tonnes

WOOL

Auction sales in primary markets have closed until the second week of January. Prices lately have landed firmer, with crossbreds sometimes quite sharply up. With British wool only available at intermittent auctions there has been a certain amount of distortion due to urgent covering pressure. In New Zealand sales have been better also, with prices firmer. The improvement in raw wool markets has revealed the emptiness of the supply pipeline and the exceptionally low level of commercial stocks. World wool supplies are far too great for any euphoria to develop, but improvement of any sort is welcome.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	608	615	605 603
Mar	659	662	668 653
May	694	696	699 687
Jul	723	724	728 717
Sep	751	749	756 745
Dec	781	780	782 774
Mar	806	806	810 800

Turnover: 9754 (8284) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 18 876.81 (903.38) 10 day average for Dec 19 915.30 (921.26)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	604	619	617 598
Mar	577	588	587 575
May	582	593	589 580
Jul	598	608	603 593
Sep	608	622	619 610
Nov	625	636	632 630
Jan	640	649	647 643

Turnover: 3047 (3079) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 19: Comp. daily 73.30 (73.51). 15 day average 73.12 (73.01)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	133.7	133.5	134.0 132.5

Turnover 45 (124) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Feb	118.00	118.00	118.00
Apr	120.00	120.00	120.00
Jun	121.00		122.00 121.00

Turnover 85 (60) lots of 20 tonnes

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Dec	1443	1460	1445
Jan	1470	1475	1470 1460
Apr	1370	1375	1370 1350
Jul	1090	1088	1090 1085
BFI	1443	1438	

Turnover 357 (282)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	119.30	119.45	119.40 119.25
Mar	122.70	122.90	122.90 122.60
Barley	**Close**	**Previous**	**High/Low**
Jan	114.80	115.25	115.05 114.80
Mar	118.40	119.20	119.00 118.40
May	120.00	120.35	120.00 119.85

Turnover: Wheat 28 (129), Barley 145 (168)
Turnover lots of 100 tonnes

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	95.0	95.0	94.5
Apr	97.0	97.0	96.5
Jun	97.5		97.0

Turnover 26 (25) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 16,709 lots
Cash	1531-3	1535-7		1530-1		
3 months	1565-6	1565-70	1570/1561	1561-2	1566-7	61,625 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,865 lots
Cash	1288-9	1288-9	1290/1282	1280-1		
3 months	1301-2	1301-2	1303/1295	1297-8	1301-2	105,917 lots
Lead (£ per tonne)						Total daily turnover 2,748 lots
Cash	314-5	312-4	315/314	313.5-4.5		
3 months	327-8	326-7	331/327	327.5-8	329-30	10,783 lots
Nickel ($ per tonne)						Total daily turnover 2,775 lots
Cash	8220-40	8050-100		8250-300		
3 months	8200-5	8075-100	8375/8175	8270-5	8225-50	8,110 lots
Tin ($ per tonne)						Total daily turnover 2,095 lots
Cash	5580-610	5845-55	5623/5590	5635-40		
3 months	5710-5	5755-60	5760/5705	5735-40	5725-30	7,773 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,868 lots
Cash	1249-51	1258-62	1250	1250-1		
3 months	1253-4	1259-62	1257/1248	1252-3	1248-9	19,087 lots

LME Closing £/$ rate:
SPOT: 1.9320 | 3 months: 1.9039 | 6 months: 1.8803 | 9 months: 1.8605

NGMI – London FOX £/tonne

	Close	Prev	High	Low	Vol
Indx	157.50	158.10	157.50		
Jan	159.50		159.50		98
Mar	159.50	159.40	159.50		65
Jun	157.50	158.40	157.50		98
Dec	157.00	159.20	157.00		65

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	380.00-380.40	
Opening	376.50-377.00	
Morning fix	375.80	194.658
Afternoon fix	378.90	196.067
Day's high	380.30-380.70	
Day's low	376.40-376.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.80	6 months	5.37
2 months	5.58	12 months	5.31
3 months	5.51		

Silver fix	p/fine oz	US cts equiv
Spot	205.20	397.10
3 months	212.15	404.45
6 months	218.65	411.95
12 months	231.45	426.65

TRADED OPTIONS

Coffee	Mar	May	Mar	May
550	45	53	18	23
600	21	28	44	48
650	9	15	82	85
Cocoa	**Mar**	**May**	**Mar**	**May**
600	72	105	14	12
650	41	70	33	27
700	22	44	64	51

Brent Crude	Feb	Mar	Feb	Mar
2500			300	
2550				
2600				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	386.0	376.5	387.0	377.3
Jan	386.9	377.3	0	0
Feb	388.0	378.4	388.4	379.0
Apr	391.4	381.9	392.0	382.7
Jun	395.0	385.6	396.0	385.5
Aug	398.5	389.1	393.0	390.0
Oct	402.1	392.6	0	0
Dec	405.8	396.1	401.5	399.5
Feb	409.7	399.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	416.9	408.7	417.0	409.5
Apr	422.0	414.2	422.5	414.5
Jul	422.5	418.4	422.5	419.3
Oct	424.0	422.0	424.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	409.5	386.0	411.5	396.5
Jan	411.0	397.6	402.0	402.0
Feb	413.5	400.2	0	0
Mar	416.0	402.8	417.0	403.0
May	421.6	408.2	423.5	408.5
Jul	427.0	413.5	427.5	413.5
Sep	432.5	418.8	429.0	429.0
Dec	440.2	426.3	442.0	428.5
Jan	442.2	428.2	0	0
Mar	446.5	434.4	437.0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	112.50	111.90	112.50	111.50
Jan	111.60	111.20	111.75	111.00
Feb	110.70	110.10	110.90	110.00
Mar	108.90	108.40	109.30	107.50
Apr	107.80	107.40	107.00	107.00
May	106.60	105.30	106.80	105.90
Jun	105.45	105.20	0	0
Jul	104.30	104.10	104.80	104.30
Aug	103.50	103.40	0	0
Sep	102.55	102.70	103.40	103.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	27.17	26.92	27.45	26.80
Mar	26.18	26.61	26.50	0
Apr	25.33	24.81	25.50	24.85
May	24.70	24.06	24.75	24.15
Jun	23.90	23.46	24.05	23.55
Aug	23.10	22.69	23.20	23.00
Sep	22.85	22.46	22.90	22.75
Oct	22.67	22.32	22.75	22.55

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	7825	7567	7870	7570
Feb	7650	7449	7670	7400
Mar	7250	7090	7285	7060
Apr	6835	6650	6836	6630
May	6525	6365	6525	6430
Jul	6290	6110	6300	6175

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1159	1156	1171	1148
May	1204	1198	1214	1195
Jul	1242	1240	1250	1237
Sep	1281	1280	1287	1280
Dec	1320	1320	1320	1317
Mar	1355	1355	0	0
May	1400	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	91.60	92.45	93.90	91.50
May	93.90	94.70	96.00	93.80
Jul	96.00	96.90	98.00	96.00
Sep	98.10	99.15	100.10	98.10
Dec	100.90	101.90	102.45	100.90
Mar	102.00	103.00	0	0
May	103.00	105.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.67	9.70	9.73	9.63
May	9.75	9.78	9.80	9.72
Jul	9.79	9.82	9.85	9.77
Oct	9.80	9.83	9.83	9.78
Mar	9.86	9.89	9.92	9.90
May	9.89	9.89	10.10	9.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	75.75	75.42	75.99	75.47
May	76.00	74.65	75.16	74.80
Jul	74.60	74.32	74.85	74.43
Oct	68.15	67.75	68.10	68.00
Dec	65.25	65.05	65.30	65.05
Mar	0	65.80	0	0
May	66.75	66.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	111.00	109.75	113.00	108.50
Mar	111.50	108.70	113.00	109.25
May	113.25	110.50	113.60	110.00
Sep	113.00	111.80	114.00	113.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 19	Dec 18	mnth ago	yr ago
1709.0	1716.8	1700.5	1808.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 18	Dec 17	mnth ago	yr ago
Spot	123.26	123.89	122.51	127.50
Futures	125.84q	127.01	124.35	129.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	576/2	583/2	581/4	576/0
Mar	591/2	598/4	596/6	591/0
May	605/6	613/4	611/4	605/4
Jul	618/4	625/6	623/4	618/0
Aug	621/6	628/0	626/4	621/4
Sep	616/0	623/0	622/0	616/0
Nov	617/6	624/0	624/0	617/4
Jan	630/2	635/4	634/4	630/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.65	21.00	20.95	20.62
Jan	20.74	20.99	21.00	20.73
Mar	21.13	21.33	21.38	21.11
May	21.48	21.63	21.68	21.43
Jul	21.69	21.83	21.85	21.65
Aug	21.62	21.75	21.75	21.62
Sep	21.54	21.65	21.65	21.53
Oct	21.50	21.65	21.55	21.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	172.7	175.0	174.5	172.7
Jan	172.7	175.9	175.3	172.6
Mar	177.6	180.9	180.5	177.4
May	181.7	184.7	184.2	181.5
Jul	185.5	188.1	187.4	185.2
Aug	186.7	189.0	188.5	186.5
Sep	185.7	188.0	188.0	185.5
Oct	186.0	187.0	187.0	186.0
Dec	189.0	189.5	189.0	187.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	224/0	225/0	225/4	223/4
Mar	235/2	238/0	237/4	235/0
May	242/4	246/0	245/2	242/2
Jul	248/6	252/2	251/6	248/4
Sep	250/2	253/2	252/6	250/2
Dec	251/0	254/0	253/4	250/6
Mar	258/0	261/0	260/0	258/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	247/6	251/6	251/4	247/0
Mar	261/6	263/2	263/4	260/4
May	269/6	270/6	271/0	268/0
Jul	273/6	274/0	274/0	271/6
Sep	278/4	280/0	280/6	278/2
Dec	290/0	293/0	291/6	290/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.50	80.95	80.85	80.42
Feb	76.52	76.87	76.80	76.32
Apr	76.60	76.80	76.70	76.42
Jun	74.46	74.62	74.55	74.30
Aug	72.86	73.00	73.05	72.75
Oct	72.90	73.02	73.00	72.80
Dec	73.78	73.75	73.80	73.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	48.60	49.10	49.67	48.87
Apr	47.57	47.15	47.70	46.77
Jun	50.95	50.50	51.00	50.05
Jul	50.70	50.35	50.75	50.12
Aug	49.62	49.20	49.70	48.95
Oct	44.20	44.05	44.25	0
Dec	45.05	44.85	45.05	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.10	62.22	64.20	61.45
Mar	63.62	61.65	63.95	61.00
May	63.85	61.95	63.95	61.10
Jul	63.77	61.77	63.77	61.40
Aug	61.77	59.77	61.77	59.77

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39¾	32⅝	Questar	1.66	5.4	14	59	36⅛	36	36⅛	+ ⅛
16½	9⅛	QkRelly	.28a	2.5	9	120	11⅛	10⅝	11	+ ½
		– R – R – R –								
11⅞	10⅛	RAC In	1.26	12.		287	10⅜	10⅝	10¾	
5½	2	RAC	.96	17.	7	403	u 5⅝	5⅜	5⅝	+ ⅛
22	17¾	RJR pf				3034	21½	21¼	21½	+ ⅛
7⅜	3⅜	RJR Nb wt				1808	5	4⅞	4⅞	
14¾	8¾	RLI Cp	.44	3.0	7	109	14½	14⅛	14½	+ ⅜
13	3⅛	RMI Ti	.10	2.1		2100	4⅞	4⅝	4⅞	+ ⅛
17⅝	5⅞	ROC Fd	.22e	3.1		218	7⅛	7⅛	7⅛	– ⅛
9⅛	5⅞	RPC			18	5	8½	8⅜	8½	
5¼	4½	RPS	.82e	15.	8	158	5½	5⅜	5½	+ ⅛
67¼	42⅞	Racal	.60e	1.2	26	208	51¼	50¾	51	
108⅝	77¾	RalsPur	1.85	1.9	15	989	99⅞	99	99⅛	– ⅜
8⅞	5⅝	RangrO	.05e	.8	18	2376	6⅝	6½	6½	..
35½	15¼	Raycm	.32	1.4		889	23¼	22⅞	23	+ ½
22⅝	14⅝	RJamF	.32	1.8	5	61	18⅛	17⅞	17⅞	– ⅛
26½	16⅝	Rayonr	3.60	19.	5	66	19⅛	19	19⅛	+ ⅛
2⅝	1⅛	vjRayte			1	17	1⅜	1⅜	1⅜	
71¼	57¾	Raythn	2.40	3.5	8	2842	69½	67⅞	69½	+ ½
28⅜	21	RdrDg n	.60	2.1	18	749	u29½	28⅛	29	+ ⅜
3⅞	1⅛	RdgBte				375	2	1⅞	1⅞	– ⅛
16⅛	11⅝	REIT	1.42	11.	9	4	12⅞	12½	12⅞	+ ⅛
15	12⅛	RltRef	1.72	13.	7	5	12⅞	12¾	12¾	+ ¼
7½	4⅞	RecnEq				56	5⅛	5	5	– ⅛
20	8⅛	Reebok	.30	2.5	6	1516	12⅜	11⅞	12⅛	– ⅛
10¼	1⅝	Reece	.05j			16	3	2⅞	2⅞	+ ⅛

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X – Y – Z –								
58⅞	29	Xerox	3	8.5	7	1762	35⅛	34⅝	35⅛	– ⅛
47¾	41⅛	Xerox pf				10	44	44	44	+2¾
48½	42½	Xerox pf	4.13	9.5		2	43½	43½	43½	
32⅞	13	XTRA	.72	4.7		418	16⅛	15⅛	15⅛	– ½
25	12½	XTRA pf	1.94	13.		127	15⅝	15¼	15½	
3⅝	5-16	Zapata				438	13-32	⅜	⅜	– 1-32
13⅝	4	ZenithE				1026	8	7½	7⅝	– ⅜
18¾	8⅞	ZenNtl	1	7.8	8	199	12⅞	12½	12¾	+ ¼
7½	4⅝	Zenix	.93	20.		34	4⅝	4½	4⅝	– ⅛
17½	9⅞	Zero	.40	3.6	12	341	11⅛	11⅛	11⅛	+ ½
51⅛	29⅝	Zurnin	.88	2.8	15	358	34⅛	33½	34⅛	+ ⅛
12⅝	10⅛	Zweig	1.18e	10.		489	11½	11¼	11½	+ ¼
10	7⅞	ZweigTl	.84	9.7		984	8⅝	8⅝	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 20

[illegible]

NASDAQ NATIONAL MARKET

3pm prices December 20

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WlvEx pf	2.25		192	11⅛	11⅛	11⅛	– ⅛
Worthg	.60	17	2785	23¼	22⅝	22⅞	+ ⅛
Wyman	.30		549	8⅛	8⅛	8⅛	+ ½
		– X – Y – Z –					
XL Dta		5	163	6½	d 6	6¼	
XOMA			1898	21¼	20⅛	20⅞	
Xilinx			1767	13½	13	13¼	– ⅛
YenEnS	1.52	13	163	21¼	20⅛	21¼	
Yelowf	.94	31	1624	27⅛	26¼	27⅛	+ ⅛
YorkRs		12	498	10	9½	9½	– ½
Zeos		15	84	13	12	12⅞	
ZionBc	1.44	8	65	30⅛	29¼	30	

FINANCIAL TIMES Friday December 21 1990

AMERICA

Dow bounces back after early morning decline

Wall Street

US STOCK prices bounced back yesterday morning after an early morning stock market sell-off following news of the resignation of Mr Eduard Shevardnadze as foreign minister of the Soviet Union, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was up 0.50 at 2,627.23 after losing more than 21 points in the first half hour of trading.

Trading was directionless, with declining issues leading advancing ones by a ratio of four to three and the Standard & Poor's 500 down 0.04 to 330.16 at 1 pm. On Wednesday, the Dow ended the day at 2,626.73, unchanged from Tuesday's close.

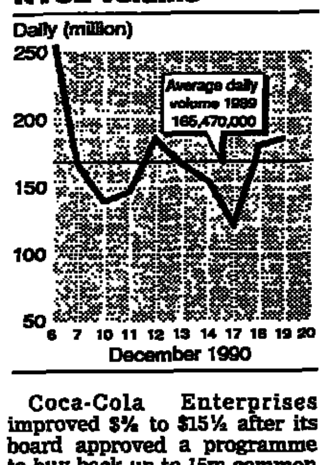
The stock market recovery came in spite of depressed bond prices. At midsession, the treasury's bellwether 30-year bond was off 13/32 to yield 8.21 per cent.

IBM was one of the most active issues of the morning, adding $¼ to $113¾. Trading was also heavy in Philip Morris, which was unchanged at $51¼, and Toys R Us, which fell $⅝ to $23⅞.

A number of bank issues moved higher yesterday morning including Citicorp, up $¼ to $13¾, Manufacturers Hanover, which gained $1⅛ to $23⅞, and J.P. Morgan, which added $⅛ to $46.

News Corp's ADRs slid $⅝ to $7¾ amid fears that Mr Rupert Murdoch's newspapers and broadcasting company will have trouble rescheduling its short-term debt.

NYSE volume



Coca-Cola Enterprises improved $⅝ to $15½ after its board approved a programme to buy back up to 15m common shares, although the company does not expect to buy back any shares under the programme before the second quarter of 1991.

In the secondary market, the Nasdaq composite was 0.83 higher at 372.05 at midsession. Trading was led by Apple Computer, which climbed $1⅝ to $43½ after Alex, Brown & Sons upgraded its rating of Apple's stock to "strong buy".

Shares in Midlantic fell $¾ to $5⅝ after the New Jersey-based bank holding company said it would omit its regular 25-cents-a-share dividend, reflecting expectations of continued weakness in the local and national economies.

Failure Group dropped $1½ to $18 after an analyst at Prudential-Bache reduced her rating of the independent engineering company.

Canada

PROSPECTS OF further prime cuts by banks in the US left Toronto stocks mixed by midday, after they had fallen at the opening on the resignation of Mr Eduard Shevardnadze, the Soviet Foreign Minister.

The composite index rose 1.4 to 3,255.1. Declines led advances by 211 to 187 on volume of 14.4m shares.

Uncertainty over the political order in the Soviet Union sparked a rise in gold shares.

Consolidated Carma class A shares slipped 5 cents to C$1.70 after BBN James Capel crossed a block of 2.28m shares.

Fears of deep recession intimidate Sweden

Robert Taylor explains why Stockholm has suffered one of its worst years in history

THE Stockholm bourse has suffered one of the worst years in its history. Early in December, Affärsvärlden, the business magazine, calculated that the Swedish equity market had dropped by 45 per cent in real terms over the first 11 months of the year, a dismal decline not even experienced in the previously dreadful years of 1919 and 1931.

Share prices saw a sputtering recovery earlier this month, but the bourse remains fragile and uneasy. All the economic indicators for Sweden in 1991 suggest that the country could be heading into the deepest recession it has known since the 1930s.

There is an understandable feeling that the golden days of the 1980s are over as the banks and finance houses, real estate operators and companies with leveraged acquisitions – which did well out of Sweden's financial market deregulation after 1985 – come to terms with a grim new reality.

The market boom from the autumn of 1988 on was not based on economic realities. There were many warnings, but these were drowned in a flood of optimism, just as in the 1920s.

In fact, the mood on the Stockholm bourse began to sour well before the adverse impact of the Middle East crisis. During the first nine months of the year the bourse went through a number of confusing changes of direction, which reflected an underlying and growing lack of business confidence about the future management of the country's ailing economy.

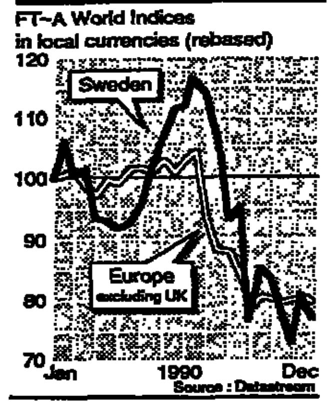
In February and March, a politico-economic crisis brought the downfall of finance minister Mr Kjell-Olof Feldt and a brief resignation by the government, with an understandably negative impact on the stock market. During April there were tangible signs of improvement, helped by lower interest rates.

Throughout 1991 a handful of companies continued to perform bullishly: Ericsson, the telecommunications group; Astra and Gambro in pharmaceuticals; the industrial gas company, Aga; and the health and consumer service company, Procordia.

The bourse recovery continued into the summer although it hardly looked substantial and was accompanied by low volume of trading. Unsubstantiated rumours that Sweden was about to devalue the krona as a panic measure to restore declining industrial competitiveness did much to destabilise the market.

So the Iraqi occupation of Kuwait on August hit an already fragile Stockholm bourse, although the direct consequences of the Gulf crisis on the Swedish economy turned out to be fairly marginal.

FT-A World Indices
in local currencies (rebased)



In August the Affärsvärlden General index dropped by 12 per cent, and in September the bourse was the second worst performer in the FT-Actuaries World Indices, with a decline of 21 per cent in local currency terms.

To make matters worse, there was an early autumn crisis among a number of exposed investment companies, where liquidity was hit especially by the drop in property prices in the UK and elsewhere. The corporate casualty list began to grow in the finance companies, with a knock-on effect on the commercial banks – the latter beginning to toughen their attitude to weak creditors, in the face of mounting loan losses which began to have a severe effect on their own operating profits performance.

The volume of trading in October and November was 25 per cent less than the same months of 1989; there is a long list of companies which have seen their share prices drop by 50 per cent from peak to trough; some of them, such as Volvo and Electrolux, reported dreadful third-quarter results.

Worries were also being expressed about the future of the Wallenberg family empire as the net assets of its two key investment companies, Investor and Providentia, fell by nearly a third, and a SKr1bn deficit was recorded by the Wallenberg subsidiary, Patricia.

But the gloom this winter should not divert attention from more important long-term developments, which promise to strengthen the Stockholm bourse in the 1990s.

Many observers point to what they call Sweden's October revolution as firm evidence that the country has abandoned its old Social Democratic beliefs, and that it has finally accepted the logic of being a free market economy. The government's October commitments, to defeat inflation even at the expense of higher unemployment and to reduce Sweden's massive public sector, have been hailed as victories for the tough financial strategy of the Central Bank.

But for the moment, there appears to be no respite for equities. When business Sweden returns from its fortnight of seasonal shutdown it will have to face further shocks and stress. The Stockholm bourse will not be for faint hearts in 1991, and many Swedes believe that the age of the yuppies is over.

EUROPE

Shevardnadze resignation unsettles bourses

THE RESIGNATION of Mr Eduard Shevardnadze, the Soviet Foreign Minister, had a deeply unsettling effect on bourses yesterday as the FT-SE Eurotrack fell another 21.10 to 945.18, extending its decline since last Friday to 4.8 per cent, *writes Our Markets Staff.*

Mr David Roche, a strategist at Morgan Stanley in London, said that the resignation increased the risk of the US strategy in the Middle East, as well as making it increasingly urgent to restructure and solidify democratic regimes in eastern Europe.

The cost of the latter to western economies is estimated by Morgan Stanley at more than $120bn a year by 1994, most of it falling on western Europe. Mr Roche said yesterday that this was not a bullish short-term indicator for western European investment, or for share prices.

FRANKFURT proved Mr Roche's point as the DAX index dropped 47.98 or 3.3 per cent to 1,409.26 after a fall of 15,84 to 613.15 in the FAZ.

Volume rose, unexpectedly before the Christmas season, from DM4.1bn to DM4.8bn. There was no real investment selling pressure, said Mr Hans von Haza at Dresdner Bank; there were more sellers than buyers on the trading side, but domestic institutions came in as buyers on the day.

A number of fundamental relationships re-established themselves. In retailing, Karstadt fell only DM8 to DM607, still up 80 pfg over two days during which the market fell by 4.6 per cent. VEW, the specialist utility and a prime infrastructure investment, fell DM3.50 to DM210 over one day but rose DM4 over two.

PARIS was influenced by currency moves, with a rise in the franc against the D-Mark limiting losses. Mr Pierre Bérégovoy, the Finance Minister, called for calm in the forex markets, saying that he saw no reason to change the current currency parities within the exchange rate mechanism. The CAC 40 index lost 36.60 or 2.3 per cent to 1,552.72, recovering from a day's low of 1,541.63.

Sanofi dropped FFr35 to FFr730. The stock has lost 15 per cent this week, since its Ticlid drug received only a limited US recommendation.

STOCKHOLM was shaken by profit warnings from senior companies. The Affärsvärlden General index fell 16.5 or 1.9 per cent to 859.4 in turnover of SKr285m, up from SKr245m.

SCA, the forestry group, saw its free Bs slip SKr1 to SKr86.5 after the news after the market closed on Wednesday that the company expected profits after financial items to slip 20 per cent from SKr2.71bn in 1989.

News that SKF, the ball-bearings manufacturer, expected no profits in the fourth quarter and would cut production pushed its free Bs SKr4 lower to SKr78.

Astra succumbed to profit-taking on the news that it had gained approval to sell Losec, its anti-ulcer drug, in Japan. The free Bs fell SKr4 to SKr495.

OSLO tumbled to a 1990 low on worries over Kreditkassen's high lending losses. The bank's shares fell NKr2.5 to NKr48.5. The all-share index plunged 12.52 or 2.8 per cent to 411.71 in active trading worth NKr422m.

MILAN fell sharply, the Comit index dropping 2.8 per cent or 15.15 to 519.14. Generali, the insurer, fell L1,500 to L28,500 while Fiat lost 4.7 per cent or L274 to L5,515.

AMSTERDAM tumbled in bleak trading. The CBS Tendency index fell 1.3 points or 1.4 per cent to 94.4.

Nedlloyd, the transport group, plunged Fl 2.50 or 6.7 per cent to Fl 35, after the terms of a private placement via Amro of Fl 60m worth of preferred shares were leaked.

In the same sector, Van Ommeren Ceteco rose 30 cents to Fl 43.60 after the company confirmed an earlier forecast of improved 1990 results.

However, Internatio-Müller, the trading and technology group, ended Fl 1 lower at Fl 76 after the news just before the bourse closed that the company now expected 1990 net profit to be "very markedly below" 1989's Fl 56.1m.

ZURICH lost 1.5 per cent in thin but hectic trading, the Crédit Suisse index falling 7.1 to 457.1 in spite of late buying of consumer goods and insurance companies. MADRID fell, the general index losing 6.05 or 2.6 per cent to 227.61.

HELSINKI rose, although turnover decreased, with the Unitas all-share index adding 1.9 to 396.0.

ISTANBUL's index fell 114.39 or 3.3 per cent to 3,341.82; ATHENS' general index shed 31.78 or 3.2 per cent to 946.59.

SOUTH AFRICA

GOLD SHARES jumped in Johannesburg following the rise in the bullion price to more than $384. The JSE all-gold index added 81 to 1,182 and the overall index was 33 better at 2,699. Vaal Reefs advanced R11 to R197.

ASIA PACIFIC

Weaker yen and rising bond yields send Nikkei lower

Tokyo

SHARE PRICES slid yesterday as the yen weakened and bond yields rose on fading hopes of lower domestic interest rates, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed down 351.84 at 24,524.94, after opening at the day's high of 24,853.41 and drifting down to a low of 24,515.94.

Volume fell to 360m shares from Wednesday's 620m in activity dominated by dealers and small-lot trading by individuals.

Losses outnumbered gains by 856 to 157, while 125 issues remained unchanged. The Topix index of all first stock issues fell 26.04 to 1,795.37 and, in London, the ISE/Nikkei 50 index shed 20.08 to 1,352.97.

Disappointment over interest rates and a budding tax evasion scandal involving a former government minister depressed the market. "The market realised that it had over-stretched itself," said Mr Christopher Leighton at Schroder Securities.

Interest rate-sensitive, large-capital issues lost ground, with Nippon Steel losing Y1 to Y444 and NKK down Y10 at Y406. Utilities were also weak.

Domestic demand-related issues fell on profit-taking. Kajima Corp, a leading construction company, which gained Y40 on Wednesday, lost Y60 to Y1,620, and Nihon Cement fell Y30 to Y1,050. Predictions by the Japan Centre for Economic Research that Japan's economic growth next year will be below 3 per cent also depressed the sector.

Fisheries declined, with Nippon Suisan losing Y46 to Y554. These issues had been strong recently on the expectation that fishing grounds would be expanded after the planned visit in April of President Mikhail Gorbachev of the Soviet Union.

Financials were among the few bright spots of the day. Traders attributed the rise in non-bank financial stocks to institutional investors rearranging their books before the holidays. Hitachi Credit added Y80 to Y1,400 and Jaccs gained Y45 to Y566.

In Osaka, turnover surged to 168.6m shares from 93.4m as the OSE average fell 354.01 to 26,301.37 on profit-taking. News of the tax scandal caused heavy selling of Suntelephone, a favourite among speculators. The issue fell by its daily limit of Y300 to Y1,440.

Roundup

THE PACIFIC Basin put in a mixed performance yesterday.

AUSTRALIA was dragged lower by a 20 per cent fall in News Corp. The stock tumbled A$1.09 to A$4.35 on concerns about the company's debt burden and before a UK television programme. Turnover rose to A$342m from A$254m, as the All Ordinaries index fell 7.5 to 1,276.6.

MANILA rose on active buying in the oil sector after estimates of 1bn barrels of potential oil reserves at West Linapacan. The composite index rose 10.14 to 667.59.

TAIWAN rebounded after three days of decline. Volume fell to T$28.5bn, the lowest since November 3, from T$35.8bn. The weighted index rose 101.81 to 3,928.9.

HONG KONG softened in listless trading. Turnover increased to HK$587m from HK$489m. The Hang Seng index fell 5.23 to 3,078.21.

SINGAPORE encountered technical problems which halted trading for most of the day. The Straits Times Industrial index rose 4 to 1,177.64. In KUALA LUMPUR, the composite index eased 0.36 to 497.6 in turnover of 30.5m shares after 56.3m.

NEW ZEALAND was little changed after the nation's economic statement the previous day. The Barclays index added 0.71 to 1,190.77.

SEOUL closed mixed. Volume rose to Won198.5bn from Won156.3bn. The composite index firmed 0.5 to 698.04.

Textile shares lead Indian retreat after tax package

By R.C. Murthy in Bombay

AN INDIAN government tax package, designed to raise Rs13.5bn ($750m) and cut the budget deficit by one tenth, has sent shares tumbling almost 15 per cent this week.

Traders were caught unawares by the mini-budget. Textiles and petrochemical blue chips slumped on Monday in response to the new taxes on synthetic and man-made fibres and yarns, which together are to yield about half of the Rs13.5bn. Reliance Industries, the largest polyester yarn producer, fell Rs17 to Rs163 on Monday and Grasim Industries, the main viscose fibre manufacturer, was down Rs9 at Rs206.

The decline gathered strength and broadened on reports of a 4 percentage point increase to 12 per cent in the surcharge on personal income tax and a new unspecified tax on corporate profits. The projected increased revenue from Reliance and Grasim is only Rs1.6bn, but the psychological impact on the markets is far greater. On Wednesday, Reliance, which had not paid any tax for several years because of concessions, fell another Rs28 to Rs135 and Grasim lost Rs28.50 to Rs177.50.

On Wednesday the BSE authorities slapped a 40 per cent cash margin on sales and followed it up with a ban on forward sales to moderate the fall in share prices.

The authorities ordered the market to close yesterday, ostensibly to help the completion of settlement work. Some analysts said that the index, which stands at 1,058.41, would drop below 1,000 before Christmas.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 19 1990								TUESDAY DECEMBER 18 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (75)	118.61	+0.2	91.04	100.54	91.18	102.40	+0.0	7.78	118.35	90.68	99.68	91.31	102.39	158.31	118.35	149.54
Austria (19)	206.57	+0.6	158.56	175.11	158.79	158.72	+0.3	1.72	205.44	157.41	173.05	158.51	158.30	285.63	178.57	164.79
Belgium (60)	135.84	+1.0	104.27	115.14	104.41	102.34	+0.3	5.61	134.49	103.05	113.27	103.76	101.99	160.02	126.67	148.07
Canada (120)	129.80	+0.3	99.63	110.02	99.76	108.93	+0.5	3.68	129.38	99.13	108.97	99.81	108.44	153.61	121.24	149.92
Denmark (33)	241.09	−0.1	185.05	204.36	185.31	187.64	−0.3	1.60	241.22	184.82	203.18	186.11	188.24	277.62	234.05	230.24
Finland (25)	104.22	+2.4	80.00	88.35	80.11	78.55	+2.4	3.88	101.76	77.97	85.71	78.51	76.70	152.29	98.91	131.33
France (122)	137.58	+0.4	105.60	116.61	105.74	108.77	+0.1	3.82	137.04	105.00	115.42	105.72	108.66	168.85	124.98	148.43
Germany (91)	118.15	−0.9	90.69	100.16	90.81	90.81	−1.3	2.50	119.28	91.39	100.48	92.02	92.02	144.63	101.38	113.61
Hong Kong (48)	124.31	+0.6	95.42	105.37	95.56	124.51	+0.6	5.37	123.53	94.65	104.04	95.31	123.73	147.49	112.24	119.39
Ireland (16)	154.65	−0.4	118.71	131.10	118.88	121.27	−0.6	4.28	155.20	118.91	130.72	119.74	122.03	198.57	139.04	175.27
Italy (91)	82.30	+0.4	63.17	69.76	63.26	68.70	+0.1	3.58	81.97	62.80	69.04	63.24	68.64	109.26	75.73	95.31
Japan (453)	132.24	+1.3	101.51	112.10	101.66	112.10	+1.9	0.76	130.61	100.07	110.01	100.78	110.01	197.26	106.58	195.28
Malaysia (35)	203.48	+0.5	156.18	172.47	156.40	211.67	+0.5	3.20	202.37	155.06	170.45	156.13	210.52	250.89	182.96	222.50
Mexico (12)	586.08	−0.5	449.87	496.80	450.50	1890.98	−0.3	0.36	589.12	451.38	496.21	454.52	1896.59	613.96	324.53	310.73
Netherland (41)	135.80	+0.4	104.24	115.11	104.39	103.35	+0.0	5.20	135.29	103.66	113.95	104.38	103.33	149.03	127.56	137.97
New Zealand (15)	43.47	+2.0	33.37	36.85	33.41	39.04	+1.5	8.76	42.62	32.65	35.90	32.88	38.47	75.36	42.62	71.24
Norway (27)	209.76	−1.4	161.01	177.81	161.24	165.49	−1.7	1.87	212.72	162.99	179.18	164.13	168.40	276.79	202.34	190.32
Singapore (25)	160.14	−0.4	122.92	135.75	123.10	127.45	−0.1	3.46	160.84	123.24	135.48	124.09	127.60	209.24	147.24	175.38
South Africa (60)	178.67	−0.1	137.15	151.45	137.34	133.52	−0.1	4.10	178.79	136.99	150.59	137.94	133.62	251.39	151.50	192.62
Spain (41)	146.93	−0.3	112.78	124.55	112.94	105.30	−0.8	5.30	147.43	112.96	124.18	113.74	106.16	182.25	128.54	160.11
Sweden (27)	163.63	+1.2	125.60	138.70	125.78	135.47	+1.1	3.00	161.68	123.88	136.19	124.75	134.04	234.93	153.11	183.36
Switzerland (68)	90.01	−0.2	69.09	76.30	69.20	70.84	−0.3	2.97	90.21	69.12	75.98	69.61	71.03	109.77	85.00	91.24
United Kingdom (298)	168.15	+0.6	129.07	142.52	129.24	129.07	+0.8	5.41	167.19	128.10	140.81	128.98	128.10	176.18	139.87	153.85
USA (533)	133.36	+0.1	102.36	113.05	102.51	133.36	+0.1	3.72	133.28	102.12	112.27	102.83	133.28	148.95	119.06	138.76
Europe (959)	138.46	+0.2	106.28	117.37	106.43	106.79	+0.1	4.35	138.18	105.88	116.39	106.62	106.70	157.65	124.91	136.25
Nordic (112)	172.74	+0.4	132.59	146.42	132.78	133.03	+0.1	2.28	172.18	131.89	144.99	132.81	132.84	223.29	170.59	176.86
Pacific Basin (651)	131.09	+1.2	100.62	111.12	100.76	111.80	+1.8	1.16	129.54	99.26	109.12	99.95	109.84	192.75	107.82	190.60
Euro – Pacific (1610)	134.45	+0.8	103.20	113.96	103.34	110.47	+1.1	2.50	133.42	102.22	112.37	102.93	109.30	174.18	116.03	168.98
North America (653)	133.05	+0.1	102.12	112.79	102.29	131.75	+0.1	3.72	132.95	101.87	112.00	102.59	131.64	148.43	119.26	139.32
Europe Ex. UK (661)	120.15	−0.1	92.22	101.87	92.37	93.71	−0.4	3.56	120.24	92.13	101.30	92.79	94.09	145.62	109.94	124.37
Pacific Ex. Japan (198)	116.75	+0.4	89.61	98.98	89.75	104.39	+0.3	6.43	116.29	89.10	97.97	89.73	104.08	146.72	116.03	134.42
World Ex. US (1802)	134.98	+0.7	103.61	114.43	103.76	111.10	+1.0	2.55	133.99	102.66	112.87	103.38	109.97	173.77	117.12	168.84
World Ex UK (2037)	129.96	+0.5	99.76	110.17	99.91	116.93	+0.7	2.64	129.32	99.08	108.93	99.78	116.13	162.00	115.37	157.24
World Ex. So. Af. (2275)	133.08	+0.5	102.15	112.82	102.30	118.01	+0.7	2.94	132.40	101.45	111.53	102.16	117.19	161.84	118.04	156.70
World Ex Japan (1882)	135.25	+0.1	103.81	114.66	103.98	121.23	+0.1	4.07	135.07	103.49	113.78	104.23	121.12	151.59	124.31	138.71
The World Index (2335)	133.35	+0.5	102.36	113.04	102.51	118.12	+0.7	2.95	132.68	101.66	111.76	102.37	117.30	162.05	118.33	156.92

Constituent change 20/12/90: Deletion: Boustead Hldgs.(Malaysia). Latest prices were unavailable for this edition.